

Presented pursuant to National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998),
c.39, section 35(5)

Arts Council of Northern Ireland Lottery Distribution Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 24 JULY 2006

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Background information

The Council, presently known as the Arts Council of Northern Ireland, is the statutory body through which public funding for the Arts in Northern Ireland is channelled. It was established by the Arts Council (Northern Ireland) Order 1995 and came into existence on 1 September 1995. The Council took over the assets and liabilities of the Arts Council of Northern Ireland 1994 Limited which was a company limited by guarantee established in 1994 as an interim body between the previous Arts Council (established in 1943) and the new statutory body.

The Arts Council dates from 1943 when it was set up as the Council for the Encouragement of Music and the Arts in Northern Ireland. Initially funds were provided by the Pilgrim Trust and matched by the Ministry of Education for Northern Ireland. At the present time the Arts Council is funded via Grant-in-Aid by the Department of Culture, Arts and Leisure. The affairs of the Council are managed by a Council consisting of fifteen members. The current Council members are listed below. The Chief Executive is the principal executive officer of the Council and is supported by a professional staff responsible for subject and functional areas of the Council's programme.

Statutory background

The Arts Council of Northern Ireland is a statutory body established by the Arts Council (Northern Ireland) Order 1995.

The National Lottery was established by the National Lottery etc. Act 1993 to raise money for 'good causes' through the sale of lottery tickets. The Arts Council of Northern Ireland is charged under the Act with responsibility for distributing Lottery proceeds allocated to the arts in Northern Ireland. Lottery proceeds are also distributed through other distributing bodies to Sport, National Heritage, Charities, Millennium Projects, and to the Arts in England, Scotland and Wales. From 1998-1999 Lottery proceeds were also distributed to the New Opportunities Fund (NOF) and to the National Endowment for Science, Technology and the Arts (NESTA).

Principal functions related to National Lottery distribution activities

The Arts Council is responsible for the administration and distribution of funds raised by the National Lottery. The Council made its first awards to applicants for Lottery funding in 1995-1996. The principal function is to fund applications for a broad range of capital and revenue projects in the Arts which will make an important and lasting difference to the quality of life of the people in Northern Ireland.

Council members of the Arts Council of Northern Ireland and members of its Lottery Committee

The Minister of Culture, Arts and Leisure approves the appointment of the Chairman, Vice Chairman and members of the Council. The Chairman and members of the Council have individual and collective responsibility to the Minister as Head of Department

- to provide effective leadership for the Council, in particular in defining and developing its strategic direction and in setting challenging objectives;
- to act in a way that promotes high standards of public finance, including the promotion of regularity, propriety and value for money;
- to ensure that the Council's activities are conducted in an efficient and effective manner;
- to ensure that strategies are developed for meeting the Council's overall objectives in accordance with the policies and priorities established by the Minister;
- to monitor the Council's performance to ensure that it fully meets its aims, objectives and performance targets;
- to ensure that the Council's control, regulation and monitoring of its activities as well as those of any other bodies which it may sponsor or support, ensure value for money within a framework of best practice, regularity and propriety;

- to participate in the corporate planning process; and
- to appoint a Chief Executive.

The Council of the Arts Council of Northern Ireland for the year ended 31 March 2006 is shown below.

Council from 1 July 2003

| | |
|--|---|
| Ms Rosemary Kelly (Chairman) | Mr Tim Kerr |
| Mr Martin Bradley (Vice Chairman) | Mr Raymond Fullerton (appointed Feb 05) |
| Mrs Eithne Benson | Mr Brendan Milligan |
| Mrs Katherine Bond | Mr William Montgomery |
| Mr Will Chamberlain (resigned July 05) | Mr Gearóid ÓhEara |
| Ms Lucia (Lucy) Finnegan | Ms Sharon O'Connor |
| Ms Jill Holmes | Mr Peter Spratt |
| Mr Anthony Kennedy | |

The members of the Council's Lottery Committee during the year are shown below.

From June 2005

Kate Bond, Chair
Eithne Benson
Tim Kerr

Appointment of auditors

Under the National Lottery etc. Act 1993 the Comptroller and Auditor General examines and certifies the financial statements of each of the National Lottery distributing bodies and lays copies of the statements and his report before Parliament. So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Policy on disabled persons

In setting out Policy Guidelines for the distribution of Lottery funds, the Secretary of State has asked the Arts Council to ensure that there is suitable access for people with disabilities to any assets, new or improved facilities which receive Lottery funding. The Arts Council requires all applicants for Lottery funding to demonstrate that they have addressed the issue of access for people who have a disability, and other people for whom physical access is a difficulty, to both facilities and the services within them with regard to the project proposed. Applicants are asked to indicate, under a range of headings, the facilities they intend to provide. In considering the needs of people who have a disability, applicants are reminded not only about the needs of people with mobility difficulties, but also the needs of people with visual and hearing impairments. A checklist of topics to be considered in this area is included as part of the pack which each applicant receives.

Employee consultation

On matters of policy and procedure which affect the employees of the Arts Council, the Council normally consults with the recognised trade unions of which the staff are members. This trade union is also a member of the Whitley Council which negotiates on the terms and conditions of members with the Northern Ireland Department of Finance and Personnel.

Payment of suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 100 per cent of the bills were paid within this standard. The comparable figure for the previous year was 93 per cent paid within the standard.

Political and charitable donations

The Arts Council of Northern Ireland made no political or charitable donations during the year.

Management Commentary

Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Income and Expenditure Account. Total proceeds received from the National Lottery totalled £8,016,557. During the year the Arts Council awarded grants to Lottery applicants of £8,417,761 and paid £8,493,907 to applicants. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,023,077 (excluding depreciation). This represents approximately 12.8 per cent of the total proceeds received in the year and 9.3 per cent of total funds drawn down.

Review of National Lottery distribution activities

During the year the Arts Council received 721 applications seeking grants of £19,476,245 across all programmes and made 254 grants totalling £7,878,477. In addition, through Awards for All the Council made 147 awards totalling £539,284.

The Council introduced the Lottery Arts Projects 2005 programme (LAP), to cater for organisations seeking less than £10,000 but more than the current £5,000 upper threshold of the jointly-funded Awards for All scheme. LAP is an interim programme that will run until the raising of the upper limit of the Awards for All scheme comes into effect in 2006-2007.

The Council made its first awards under the *Early Years and Business Support* programmes.

In November 2005, the Council commissioned a review of the impact of the £3.5 million that had been awarded to bands for the purchase of musical instruments.

A major element of the year's work was the review of the 2002-2006 Lottery Strategy.

Significant changes in fixed assets

The movement on fixed assets is set out in note 5 to the financial statements. There were no significant changes during the year. The net book value of the fixed assets decreased from £1,997 to £1,461 following a depreciation charge of £536 for the year.

Retained funds at the year end

At the end of the year the Lottery Distribution Account showed a decrease in funds of £6,720,289 after making a provision for all hard grant commitments outstanding at the year-end. At the end of 2005-2006 the retained funds totalled £8,543,270. This amount will be carried forward to the 2006-2007 financial year and will be available for distribution.

A comment on NLDF Balance Policy

In June 2004 the Council formally approved a policy whereby the Arts Council would aim to reduce NLDF balances to less than half the 2004 level (to £17 million) by 31 March 2007 providing the Arts Council continued to have sufficient assurance that this would neither compromise existing commitments nor unreasonably constrain its ability to make future commitments in accordance with policy directions.

As at 31 March 2006, Arts Council Lottery Account balances at NLDF totalled £32.3 million, down £3 million on the prior year – a decrease of 8.5 per cent. The target balance for the year was £25.6 million – representing a negative variance against target of £6.7 million. This is caused primarily by funds being set aside in relation to capital grant projects which did not materialise within the financial year 2005-2006, but for which a commitment needs to be maintained into the future.

In relation to management effort to reduce balances, it is worth noting that the Council's hard and soft commitments totalled £29.5 million and it had further funds earmarked totalling £13 million, giving a total requirement of £42.5 million as at 31 March 2006 to be met from existing funds plus incoming year (2006-2007) estimated share of operator proceeds of £6.7 million, local cash balances of £1 million and funds released from decommitments of circa £1.6 million. The free balance is therefore – £1 million – in line with DCMS recommendations to overcommit funds.

Future Developments in National Lottery Distribution Activities

In the incoming year, as a result of the Review of Strategy, the Council will be re-launching its Lottery grant programmes. A number of new programmes will also be launched – *Re-Imaging Communities* and *Critical Voices*. The Council is awaiting the outcome of DCMS's public consultation on the future of the National Lottery which will determine the Council's share of future proceeds and also indicate the likely effect on income of the Olympics 2012.

Remuneration Report

Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to a number of recommendations, more information on which may be found at www.ome.uk.com. The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based. Senior staff pay awards are determined by the Northern Ireland Civil Service (NICS) Remuneration Committee.

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service grade, while all other executive directors are employed at Grade 7.

The Arts Council Remuneration and Staffing Committee is responsible for approving the Chief Executive's salary and assessing her performance and its membership is made up as follows from Council members

R Kelly

M Bradley

G ÓhEara

All other senior staff positions above Deputy Principal are approved by DCAL.

Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook. In relation to the position of Roisin McDonough, Chief Executive, she was appointed on the 16 of October 2000. This position is permanent within the definition above as are the executive director positions.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

Salary and Pension Entitlements – Senior Staff

| | Salary | 2005-2006 Benefits in kind | Salary | 2004-2005 Benefits in kind |
|---|---------------------------------|---|--------|----------------------------------|
| | £000 | (nearest £100) | £000 | (nearest £100) |
| Ms Roisin McDonough <i>Chief Executive</i> | 70-75 | 0 | 70-75 | 0 |
| Mr P Hammond <i>Director (1 April 2005 to 31 October 2005)</i> | 50-55 | 0 | 40-45 | 0 |
| | full year equivalent | | | |
| Mr P Burns <i>Director</i> | 40-45 | 0 | 35-40 | 0 |
| Mr N Livingston <i>Director</i> | 40-45 | 0 | 35-40 | 0 |
| Ms Noirin McKinney <i>Director</i> | 40-45 | 0 | 35-40 | 0 |

Salary

'Salary' includes gross salary; performance pay or bonuses, all of which are subject to UK taxation. This report is based on payments made by the Arts Council of Northern Ireland and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No benefits in kind were paid to any employee noted above.

Arts Council Pensions

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 51 employees during the year (not all 51 were employed throughout the year). The NILGOSC scheme is a 'multi employer', defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2006 the Arts Council contributed 13.6 per cent of gross salary. The scheme is non contributory for members of staff.

| | 2005-2006 | 2004-2005 |
|------------|-----------------------|----------------|
| | £ | £ |
| Employer's | <u>149,489</u> | <u>112,710</u> |

| | Salary including performance pay | Real increase in pension and related lump sum at age 60 | Total accrued pension at age 60 at 31 March 2006 and related lump sum | CETV at 31 March 2005 | CETV at 31 March 2006 | Real increase in CETV |
|--|----------------------------------|---|--|-----------------------|-----------------------|-----------------------|
| R McDonough <i>Chief Executive</i> | £72,905 | £1,217 | £73,587 | £287,658 | £303,959 | £15,458 |
| N McKinney <i>Director of Arts Development</i> | £40,770 | £2,443 | £39,381 | £116,554 | £132,319 | £13,385 |
| P Hammond <i>Director of Arts Development</i> | £50,221 | £2,537 | £71,628 | £255,654 | £275,320 | £18,917 |
| P Burns <i>Director of Corporate Services</i> | £41,476 | £2,181 | £33,624 | £114,273 | £128,894 | £12,438 |
| N Livingston <i>Director of Strategic Development</i> | Consent to disclose withheld. | | | | | |

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Roisín McDonough
Accounting Officer for the Council

19 July 2006

Statement of the Council's and Accounting Officer's responsibilities

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in accordance with section 35(3) of the National Lottery etc. Act 1993 and accounts direction given by the Department of Culture, Arts and Leisure, with the approval of the Secretary of State for Culture, Media and Sport.

The financial statements are prepared on an accruals basis and must show a true and fair view of the state of affairs of the Arts Council of Northern Ireland's lottery distribution activities at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Council is required to

- observe the accounts direction issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- observe the current version of the Government Financial Reporting Manual (FRM);
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

The Accounting Officer for the Department of Culture, Arts and Leisure has designated the Chief Executive of the Arts Council of Northern Ireland as the Accounting Officer for the Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Northern Ireland Department of Finance and Personnel, the guidance contained within 'Government Accounting Northern Ireland' also issued by the Department of Finance and Personnel, and in the Financial Directions issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

Roisín McDonough
Accounting Officer for the Council

19 July 2006

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. This responsibility is supported by the functions of Council, various Committees – particularly the Audit Committee – the internal auditor, external audit work and active management of the Arts Council's risk register.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

The identification and impact of risk has been incorporated into the corporate planning and decision making processes of the Arts Council since 2003. Consequently the Arts Council ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on. The Council currently receives periodic reports concerning internal control and steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

The Audit Committee has lead responsibility for periodic review of the risk framework and other records of risk. Management of risk categories has been allocated appropriately within the organization. Any revision to the framework is discussed within Audit Committee and recommended to Council. In accordance with these functions, the Chair of the Audit Committee has received appropriate training during the year in accordance with Best Practice guidelines and Corporate Governance principles.

The Audit Committee also agrees the internal audit work schedule and internal audit reports are reviewed periodically by the Committee.

Finally, the Audit Committee reviews the final reports and accounts and the ensuing management letter.

Various other committees, including Finance and Lottery and Grants, take lead responsibility for periodically monitoring, and reporting on, expenditure activities of the Arts Council, with reporting and recommendations to Council.

The risk and control framework

In addition to the above, the Arts Council plans to set up a system of key performance and risk indicators – these are being incorporated into the Business Plan from 2006 onwards.

The Council has an Internal Audit Unit, provided by a shared internal post with the Sports Council, which operates to standards defined in the Government Internal Audit Manual. The internal auditor submitted regular reports which included an opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement.

During the year progress has been made in the improvement of the Council's grant monitoring procedures. However, further improvements are ongoing. I have been assured by my executive managers that procedures continue to be developed for the monitoring and management of grants which will ensure that all grants receive sufficient and consistent scrutiny in line with policy and financial directions.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditor and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. In addition, as noted above, the various Committees of the Arts Council report to Council at its periodic meetings on the functional areas falling within each Committee's terms of reference and Council makes appropriate recommendations where necessary.

The Internal Audit workplan for 2005-2006 and statement of assurance concludes that relevant controls are in place and that these continue to be reviewed and amended where appropriate and in accordance with best practice guidelines.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Roisín McDonough
Accounting Officer for the Council

19 July 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Arts Council of Northern Ireland Lottery Distribution Account for the year ended 31 March 2006 under the National Lottery etc. Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Council, Accounting Officer and auditor

The Council and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc. Act 1993 (as amended) and the Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 11 and 12 reflects the Council's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Background Information, the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Department of Culture Arts and Leisure on behalf the Secretary of State for Culture, Media and Sport, of the state of the Arts Council of Northern Ireland Lottery Distribution Account's affairs as at 31 March 2006 and of its decrease in funds for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and Department of Culture Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

21 July 2006

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Income and Expenditure Account for the year ended 31 March 2006

| | 2005-2006 | 2004-2005 | |
|---|-----------|--------------------|-------------|
| | Notes | £ | |
| | | £ | |
| Proceeds from Lottery | 2 | 8,016,557 | 7,886,371 |
| Other income | 3 | 25,202 | 29,850 |
| Total income | | 8,041,759 | 7,916,221 |
| Grants paid in year | | 8,493,907 | 7,201,327 |
| Provision for decrease in value of investments | | 0 | 0 |
| Provision for grant commitments in future years | | 5,244,528 | 1,455,903 |
| Staff costs: recharge | 4 | 510,732 | 481,291 |
| Depreciation: tangible assets | 5 | 536 | 536 |
| Other operating costs: direct costs | 6 | 274,175 | 220,238 |
| recharge | 6 | 238,170 | 157,737 |
| Total expenditure | | 14,762,048 | 9,517,032 |
| Decrease in funds | | (6,720,289) | (1,600,811) |
| Notional costs – capital | 14 | (14,613) | (15,596) |
| Decrease in funds including notional costs | | (6,734,902) | (1,616,407) |
| Reversal of notional costs | | 14,613 | 15,596 |
| Decrease in funds | | (6,720,289) | (1,600,811) |

The income and expenditure relate to continuing activities.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2006

| | 2005-2006 | 2004-2005 | |
|---|-----------|--------------------|-------------|
| | Note | £ | |
| | | £ | |
| Decrease in funds | | (6,734,902) | (1,616,407) |
| Provision for decrease in value of investments | 11 | (221,223) | (132,995) |
| Total recognised gains and losses relating to the year | | (6,956,125) | (1,749,402) |

The notes on pages 18 to 25 form part of these financial statements.

Balance Sheet as at 31 March 2006

| | Notes | 2005-2006 £ | 2004-2005 £ |
|--|-------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 5 | <u>1,461</u> | <u>1,997</u> |
| Current assets | | | |
| Investments – balance held in NLDF | 7 | 32,336,137 | 35,282,185 |
| Debtors and prepayments | 8 | 215,617 | 235,722 |
| Cash at bank and in hand | | 1,147,603 | <u>231,578</u> |
| | | 33,699,357 | 35,749,485 |
| Creditors – amounts due within one year | 9 | (18,716,094) | <u>(11,620,792)</u> |
| Net current assets | | 14,983,263 | <u>24,128,693</u> |
| Total assets less current liabilities | | 14,984,724 | 24,130,690 |
| Provisions for liabilities and charges | | | |
| Grant commitments | 10 | (6,441,454) | <u>(8,867,131)</u> |
| Total assets less total liabilities | | 8,543,270 | <u>15,263,559</u> |
| Represented by | | | |
| Reserves | | | |
| Income and Expenditure | 11 | 8,543,270 | <u>15,263,559</u> |

Roisín McDonough
Accounting Officer

19 July 2006

The notes on pages 18 to 25 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2006

| | Notes | 2005-2006 £ | 2004-2005 £ |
|---|-------|----------------|----------------|
| Net cash inflow from operating activities | 1 | 890,823 | 185,095 |
| Returns on investments and servicing of finance | 3 | 25,202 | 29,850 |
| Increase/(decrease) in cash | | 916,025 | 214,945 |

Notes to the Cash Flow Statement

1 Reconciliation of increase/(decrease) in funds to net cash outflow from operating activities

| | 2005-2006 £ | 2004-2005 £ |
|---|--------------------|----------------|
| Decrease in funds | (6,720,289) | (1,600,811) |
| Depreciation charges | 536 | 536 |
| Interest and investment returns | (25,202) | (29,850) |
| (Increase)/decrease in NLDF investments | 2,946,048 | 361,391 |
| (Increase)/decrease in debtors | 20,105 | (164,408) |
| Increase/(decrease) in creditors | 7,095,302 | 939,330 |
| Increase/(decrease) in provision for grants | (2,425,677) | 678,907 |
| | 890,823 | 185,095 |

2 Reconciliation of net cash flow to movement in net funds

| | | |
|---------------------------------------|------------------|---------|
| Increase/(decrease) in cash in period | 916,025 | 214,945 |
| Changes in net funds | 916,025 | 214,945 |
| Net funds at 1 April | 231,578 | 16,633 |
| Net funds at 31 March | 1,147,603 | 231,578 |

3 Returns on investments and servicing of finance

| | | |
|-------------------|---------------|--------|
| Interest received | 25,151 | 14,408 |
| Other income | 51 | 15,442 |
| | 25,202 | 29,850 |

The notes on pages 18 to 25 form part of these financial statements.

Notes to the Accounts

1 Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention and as directed in the Accounts Direction issued by the Department of Culture, Arts and Leisure.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, Accounting Standards issued or adopted by the Accounting Standards Board and disclosure requirements issued by the Department of Finance and Personnel in so far as those requirements are appropriate. Significant departures from accounting standards are disclosed and explained in the notes and the financial effects quantified where practicable.

b Tangible fixed assets

The minimum level for capitalisation as an individual or grouped fixed asset is £1,000. Items below the threshold of £1,000 are written off to the Income and Expenditure Account. Depreciation has been provided using the straight line method so as to write each asset off over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

The rates of depreciation in use are as follows

| | Per cent |
|----------------------------------|--------------------------------|
| Information Technology | |
| ■ Hardware and software | 33 ¹ / ₃ |
| ■ LAN cabling | 10 |
| Furniture, fixtures and fittings | 10 |

c Pension costs

The pension cost in respect of employees is charged to the Income and Expenditure Account so as to recognise the cost of pensions over the employees' working lives.

d Income

All income received, whether Lottery proceeds or other income, is credited to income in the year to which it is receivable.

e Notional cost of capital

From the 1996-1997 year, these financial statements make provision for the notional cost of capital employed by the Council. The Income and Expenditure Account includes the notional cost of capital employed by the Council calculated as 3.5 per cent of the average capital employed over the financial year.

f Balances held in the National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the Arts Council of Northern Ireland is as shown in the accounts and, at the Balance Sheet date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by it in respect of current and future commitments.

2 Proceeds from Lottery

| | 2005-2006 | 2004-2005 |
|---|-------------------------|------------------|
| | £ | £ |
| Proceeds from National Lottery | 6,451,658 | 6,330,084 |
| Investment returns on balances held at NLDF | 1,564,899 | 1,556,287 |
| | <u>8,016,557</u> | <u>7,886,371</u> |

3 Other income

| | 2005-2006 | 2004-2005 |
|---------------|----------------------|---------------|
| | £ | £ |
| Bank interest | 25,151 | 14,408 |
| Other income | 51 | 15,442 |
| | <u>25,202</u> | <u>29,850</u> |

4 Staff costs

| | 2005-2006 | 2004-2005 |
|-----------------------|-----------------------|----------------|
| | £ | £ |
| Salaries | 422,919 | 401,213 |
| Social security costs | 29,790 | 29,647 |
| Other pension costs | 58,023 | 50,431 |
| | <u>510,732</u> | <u>481,291</u> |

All of the staff costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account. The staff costs were recharged to the Lottery Distribution Account on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Council. During the year the Arts Council employed an average of 47 staff. Temporary staff costs included in the above total of £422,919 amounted to £20,271, the comparable cost for 2004-2005 was £18,542. Pension costs include early retirement costs of £5,233.

Chief Executive's remuneration

The Chief Executive's remuneration, including backdated pay awards, during the year was £72,905. The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £34,413 of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities. This amount is included in the staff costs recharge to the Lottery Distribution fund which totalled £510,732 as noted above.

Council members' emoluments

The Chairman and Vice-Chairman of the Council received honoraria totalling £12,378, including employer NIC costs, as follows

| | Chair | Vice Chair |
|-----------|--------------|-------------------|
| | £ | £ |
| R Kelly | 8,378 | |
| M Bradley | | 4,000 |

Of this, £5,305 was apportioned to the Lottery Distribution Account. No emoluments were paid to other Council members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chair and Vice Chair. These individuals are not included, therefore, in the pension note below.

Pension commitments

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 51 employees during the year (not all 51 were employed throughout the year). The NILGOSC scheme is a 'multi employer', defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2006 the Arts Council contributed 13.6 per cent of gross salary. The scheme is non contributory for members of staff. The most recent valuation was conducted as at 31 March 2004 and the financial results for the year to 31 March 2005 were as follows

Main assumptions (2004 valuation)

| | |
|---|----------------|
| Rate of return on investments per annum | 6.3 per cent |
| Rate of general increase in salaries per annum | 4.4 per cent |
| Rate of pension increases per annum | 2.9 per cent |
| Market value of scheme's assets (excl. AVCs) at 31 March 2005 | £2,349,491,000 |

| | |
|---|-------------|
| Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, deferred pensioners and members based on past service, and after allowing for future salary increase | 85 per cent |
|---|-------------|

Contributions for all staff during the year based on the rates noted above were as follows

| | 2005-2006 | 2004-2005 |
|------------|------------------|-----------|
| | £ | £ |
| Employer's | 149,489 | 112,710 |

5 Tangible fixed assets

| | IT hardware | Furniture and fittings | Total |
|-------------------------------------|--------------------|-------------------------------|--------------|
| | £ | £ | £ |
| At cost | | | |
| At 1 April 2005 | 24,473 | 3,582 | 28,055 |
| At 31 March 2006 | 24,473 | 3,582 | 28,055 |
| Accumulated depreciation | | | |
| At 1 April 2005 | 24,118 | 1,940 | 26,058 |
| Charge for year | 178 | 358 | 536 |
| At 31 March 2006 | 24,296 | 2,298 | 26,594 |
| Net book value 31 March 2006 | 177 | 1,284 | 1,461 |
| Net book value 31 March 2005 | 355 | 1,642 | 1,997 |

6 Other operating costs

| | Total | Direct | Recharge | 2004-2005 |
|--------------------------------|----------------|----------------|-----------------|----------------|
| | £ | £ | £ | £ |
| ACNI admin apportionment | 192,695 | 0 | 192,695 | 152,373 |
| Film Delegation administration | 105,453 | 105,453 | 0 | 81,520 |
| Awards for All administration | 48,359 | 48,359 | 0 | 65,281 |
| Audit fees | 22,000 | 22,000 | 0 | 24,983 |
| External monitoring | 52,170 | 52,170 | 0 | 32,872 |
| Assessors fees (external) | 13,016 | 11,621 | 1,395 | 2,785 |
| Consultants'/professional fees | 0 | 0 | 0 | 6,345 |
| Printing and design | 9,650 | 9,650 | 0 | 6,893 |
| Travel | 2,332 | 0 | 2,332 | 1,968 |
| Marketing/advertising | 1,845 | 1,845 | 0 | 949 |
| Research and reports | 63,563 | 21,843 | 41,720 | 0 |
| Sundries | 1,262 | 1,234 | 28 | 1,450 |
| Hospitality | 0 | 0 | 0 | 96 |
| Publications | 0 | 0 | 0 | 460 |
| | 512,345 | 274,175 | 238,170 | 377,975 |

Of the total operating expenses of £512,345, £238,170 was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £192,695 administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Council from which the Lottery benefited indirectly. It also contained the honoraria amount detailed in note 4. The apportionment was made at full economic cost and calculated on appropriate bases.

The audit fees total of £22,000 represents the external audit fee charged by the National Audit Office of £22,000.

7 Balances held in the National Lottery Distribution Fund

The funds held in the NLDF are invested on its behalf by the National Investment and Loans Office. Up to 1996-1997 the Arts received 20 per cent of the monies paid into the Fund by Camelot, the Lottery operator, after deduction of expenses incurred by the Department of Culture, Media and Sport in administering the Fund, and by the regulator, the Office of the National Lottery. This percentage was reduced to 16.67 per cent by the National Lottery Act 1998. The Arts Council of Northern Ireland receives 2.8 per cent of the sum allocated to the Arts. Interest earned on the sums invested is apportioned to each of the Lottery distributors on the basis of their percentage of the total remaining NLDF funds at the time the interest is received.

The closing market value of investments held at 31 March 2006 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £32,336,137. The cost value of these investments was £32,557,360.

8 Debtors

| | 2005-2006 | 2004-2005 |
|--------------------------------|------------------|----------------|
| | £ | £ |
| Sundry debtors | 18,832 | 25,587 |
| Prepayments and accrued income | 196,785 | 210,135 |
| | 215,617 | 235,722 |

The figure for Prepayments and Accrued Income represents cash held by the Northern Ireland Film and Television Commission on behalf of the Arts Council of Northern Ireland in respect of delegated Lottery distribution activities.

9 Creditors

| | 2005-2006 | 2004-2005 |
|-----------------|-------------------|------------|
| | £ | £ |
| Trade creditors | 179,346 | 816,132 |
| Other creditors | 18,536,748 | 10,804,660 |
| | 18,716,094 | 11,620,792 |

The total includes £100,378 in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

The Other Creditors figure contains £18,474,865 which represents the total of hard grant commitments payable during 2006-2007 [see note 10].

10 Grant commitments

| | 2005-2006 | 2004-2005 |
|--|---------------------|-------------|
| | £ | £ |
| Soft commitments | | |
| a Soft commitments brought forward | 7,972,230 | 3,801,780 |
| b Soft commitments transferred to hard commitments | (14,368,538) | (9,173,666) |
| c Soft de-commitments | (241,441) | (227,924) |
| d Soft commitments made in year | 11,265,689 | 13,572,040 |
| e Soft commitments carried forward | 4,627,940 | 7,972,230 |
| Hard commitments | | |
| a Hard commitments brought forward | 19,671,791 | 18,215,888 |
| b Hard commitments met in year | (8,493,907) | (7,201,327) |
| c Hard de-commitments | (630,103) | (516,436) |
| d Hard commitments made | 14,368,538 | 9,173,666 |
| e Hard commitments carried forward | 24,916,319 | 19,671,791 |
| f Profile of Hard Commitments over the next five years | | |
| 2003-2004 | | |
| 2004-2005 | | |
| 2005-2006 | | 10,804,660 |
| 2006-2007 | 18,474,865 | 7,602,082 |
| 2007-2008 | 5,152,158 | 1,265,049 |
| 2008-2009 | 851,491 | |
| 2009-2010 | 437,805 | |
| 2010-2011 | 0 | |
| | 24,916,319 | 19,671,791 |
| Total grant commitments carried forward | | |
| Soft | 4,627,940 | 7,972,230 |
| Hard | 24,916,319 | 19,671,791 |
| | 29,544,259 | 27,644,021 |

The Hard Commitments total at 31 March 2006 is £24,916,319. The 2006-2007 total of £18,474,865 is shown on the Balance Sheet within the 'creditors – amounts payable within one year' figure of £18,716,094 [see note 9]. The balance of £6,441,454 is shown on the Balance Sheet as 'Provisions for Liabilities and Charges: Grant Commitments'. The figure of £5,244,528 shown as the 'Provision for grant commitments in future years' in the Income and Expenditure Account is the difference between the Hard Commitments Carried Forward totals at 31 March 2005 and 31 March 2006.

11 Reconciliation of movement of funds

| | Balances held in NLDF | Balances held in ACNI | Provision for grant commitments | 2005-2006 Total |
|---|--------------------------|--------------------------|---------------------------------------|--------------------|
| | £ | £ | £ | £ |
| Proceeds from Lottery | 8,016,557 | | | 8,016,557 |
| Drawn down in year by Arts Council | (10,962,697) | 10,962,697 | | |
| Interest on cash balances | | 25,151 | | 25,151 |
| Other Income | | 51 | | 51 |
| Staff costs | | (510,732) | | (510,732) |
| Other operating costs | | (512,345) | | (512,345) |
| Depreciation of fixed assets | | (536) | | (536) |
| New grants paid in year | | (8,493,907) | | (8,493,907) |
| New grant commitments in year | | | (14,368,538) | (14,368,538) |
| Commitments written back | | | 630,103 | 630,103 |
| Grants paid from provision in year | | | 8,493,907 | 8,493,907 |
| Total increase/(decrease) in funds | (2,946,140) | 1,470,379 | (5,244,528) | (6,720,289) |
| Balance at 1 April 2005 | 35,282,185 | (346,835) | (19,671,791) | 15,263,559 |
| In year Adjustment | 92 | (92) | 0 | 0 |
| Balance at 31 March 2006 | 32,336,137 | 1,123,452 | (24,916,319) | 8,543,270 |
| Provision for increase/(decrease) in value of investments | 221,223 | | | |
| Cost at 31 March 2006 | 32,557,360 | | | |

12 Capital commitments

There were no capital commitments as at 31 March 2006.

13 Contingent liabilities

There were no contingent liabilities as at 31 March 2006 other than the soft commitments disclosed in Note 10.

14 Notional costs

Notional cost of capital is calculated as 3.5 per cent of the average net assets employed by the Arts Council (Lottery Distribution) in the year, excluding the Balance in the Distribution Fund and hard grant commitments.

15 Related party transactions

The Arts Council of Northern Ireland is a Non Departmental Public Body sponsored by the Department of Culture, Arts and Leisure (DCAL). DCAL is regarded as a related party. During the year the Council has had various material transactions with DCAL.

Several members of the Arts Council, its Lottery Committee and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed below. All of the transactions relating to the organisations were conducted at arms length by the Council.

| Application | Ref | Organisation | Award amount | Declared interest |
|-------------|--------------|---------------------------|-------------------|---|
| ACNI/ | 0553 | Prison Arts Foundation | £10,000 | I Armstrong |
| ACNI/ | 0409 | Prison Arts Foundation | £47,100 | I Armstrong |
| ACNI/ | 0041 | Prison Arts Foundation | £25,000 | I Armstrong |
| ACNI/ | 0459 | Queen St Studios | £19,448 | K Bartley |
| ACNI/ | 0460 | Queen St Studios | £58,350 | K Bartley |
| ACNI/ | 1033 | Queen St Studios | £29,628 | K Bartley |
| ACNI/ | 0892 | Kids in Control | £29,878 | G Campbell |
| ACNI/ | 0017 | Kids in Control | £22,000 | G Campbell |
| ACNI/ | 1051 | Lyric Players Theatre | £250,000 | B Carson |
| ACNI/ | 0863 | Lyric Players Theatre | £11,545 | B Carson |
| ACNI/ | 0050 | Lyric Players Theatre | £600,000 | B Carson |
| ACNI/ | 0016 | Wheelworks | £60,000 | I Davidson |
| ACNI/ | 0396 | ArtsCare | £70,000 | P Hammond |
| ACNI/ | 0051 | ArtsCare | £25,000 | P Hammond |
| ACNI/ | 0129 | Share Holiday Centre | £60,000 | I Armstrong |
| ACNI/ | 0668 | Antrim Borough Council | £20,000 | I Armstrong |
| ACNI/ | 0621 | Antrim Borough Council | £20,000 | I Armstrong |
| ACNI/ | 0384 | Antrim Borough Council | £44,000 | I Armstrong |
| ACNI/ | 0035 | Antrim Borough Council | £40,000 | I Armstrong |
| ACNI/ | 0059 | Derry Theatre Trust | £165,000 | M Bradley |
| ACNI/ | 0767 | University of Ulster | £40,000 | R Kelly, K Bond, T Kerr |
| ACNI/ | 0523 | University of Ulster | £13,933 | R Kelly, K Bond, T Kerr |
| ACNI/ | 0422 | University of Ulster | £50,000 | R Kelly, K Bond, T Kerr |
| ACNI/ | 0030 | Verbal Arts Centre | £138,763 | K Bond |
| ACNI/ | 0178 | Orbit Dance | £10,000 | L Finnegan |
| ACNI/ | 0001 | Open Arts | £60,960 | L Finnegan |
| ACNI/ | 0567 | Open Arts | £4,655 | L Finnegan |
| ACNI/ | 0020 | Ulster Youth Choir | £20,100 | R Fullerton |
| ACNI/ | 0032 | Ulster Youth Orchestra | £30,000 | E Benson, T Kerr, M Jackson (resigned) |
| ACNI/ | 0010 | Armagh District Council | £50,000 | J Holmes |
| ACNI/ | 0034 | Cahoots NI | £40,000 | J Holmes |
| ACNI/ | 0417 | Cahoots NI | £11,200 | J Holmes |
| ACNI/ | 0833 | Cahoots NI | £35,945 | J Holmes |
| ACNI/ | 0394 | Big Telly Theatre Company | £5,500 | J Holmes |
| ACNI/ | 0204 | Big Telly Theatre Company | £19,650 | J Holmes |
| ACNI/ | 0044 | Big Telly Theatre Company | £86,000 | J Holmes |
| ACNI/ | 0894 | John Hewitt Society | £16,400 | T Kennedy |
| ACNI/ | 0613 | Linen Hall Library | £10,000 | W Montgomery |
| ACNI/ | 0121 | Linen Hall Library | £60,000 | W Montgomery |
| ACNI/ | 0450 | Down District Council | £24,000 | S O'Connor |
| ACNI/ | 0466 | Down District Council | £44,000 | S O'Connor |
| ACNI/ | 0042 | An Gaelaras | £26,000 | G ÓhEara |
| | Total | | £2,404,055 | |

16 Derivatives and other Financial Instruments: Disclosures (FRS 13)

FRS 13 requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Fund faces in undertaking its role.

Liquidity risks

In 2005-2006, £6,451,659 (80.23 per cent) of the Arts Council's Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distributions Fund, £1,564,899 (19.46 per cent), and from Bank Interest and Sundry Income, £25,202 (0.31 per cent). The Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and in the bank of £32.3 million to cover all current contracted commitments of £29.5 million.

Interest rate risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Council has no control over the investment of Funds in the National Lottery Distribution Fund. At the balance sheet date the Market Value of investment in the National Lottery Distribution Fund was £32.3 million. In the year the average return on these investments was 4.54 per cent. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 3.65 per cent (2004-2005: 11.6 per cent) in the year. The cash balance at the year-end was £1,147,603. The Council considers that the Fund is not exposed to significant interest rate risks.

Foreign currency risk

The Fund is not exposed to any foreign exchange risks.

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