

Presented to Parliament pursuant to Section 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

Arts Council of Northern Ireland Lottery Distribution Account 2011-12

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Annual Report

Directors' Report

Background Information on the Arts Council of Northern Ireland

The Council, presently known as the Arts Council of Northern Ireland (ACNI), 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 (DCAL). The affairs of the Council are currently managed by a Board consisting of twelve members. The current Board members are listed below. The Chief Executive (Roisin McDonough) 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, as amended by the 1998 Act, 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 1998-99 Lottery proceeds were also distributed to the New Opportunities Fund (NOF) and to the National Endowment for Science, Technology and the Arts (NESTA).

In February 2008, a Statutory Instrument (SI 2008 No. 225 the Payments into the Olympic Lottery Distribution Fund etc Order 2008) was passed which allowed for the transfer of up to £1,085 million from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. The final transfer was made in August 2012.

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in accordance with sections 35(2) and 35(3) of the National Lottery etc. Act 1993 and the Lottery Accounts Direction given by DCAL, with the approval of the Secretary of State for the Department for Culture, Media and Sport (DCMS). DCAL issued revised Lottery Accounts Directions to ACNI on 19 July 2010, a copy of which can be obtained from ACNI upon request. DCAL issued revised Lottery Policy Directions to ACNI on 16 April 2008, a copy of which is attached to the end of these financial statements.

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 Board made its first awards to applicants for Lottery funding in 1995-96. 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.

Board Members of the Arts Council of Northern Ireland and members of its Lottery, Grants and Capital Committee

Appointments to the Board are made by the Minister for Culture, Arts and Leisure. The Chairman and members of the Board 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 Board of the Arts Council of Northern Ireland for the year ended 31 March 2012 is shown below.

Board: 1 April 2011 to 31 March 2012

Mr Bob Collins (Chairman)	Started 1 December 2011
Mr Damien Coyle (Vice Chairman)	
Mr David Alderdice	Started 1 December 2011
Ms Anna Carragher	Started 1 December 2011
Mr David Irvine	
Ms Noelle McAlinden	Started 1 December 2011
Ms Katherine McCloskey	Started 1 December 2011
Prof Ian Montgomery	
Mr Paul Mullan	Started 1 December 2011
Prof Paul Seawright	
Mr Brian Sore	
Ms Janine Walker	
Ms Rosemary Kelly (Chairman)	Term completed 30 November 2011
Ms Eithne Benson	Term completed 30 November 2011
Ms Kate Bond	Term completed 30 November 2011
Mr Raymond Fullerton	Term completed 30 November 2011
Mr Tony Kennedy	Term completed 30 November 2011
Mr Bill Montgomery	Term completed 30 November 2011
Ms Sharon O'Connor	Term completed 30 November 2011
Mr Joe Rice	Term completed 30 November 2011
Mr Peter Spratt	Term completed 30 November 2011

The members of the Audit and Risk Committee until 30 November 2011 were:

Mr Tony Kennedy (Chairman)	Term completed 30 November 2011
Mr Raymond Fullerton	Term completed 30 November 2011
Mr David Irvine	
Mr Ivor Johnston (Co-opted Member)	Resigned effective 8 June 2011
Ms Janine Walker	

The existing and newly appointed members of the Audit and Risk Committee from 16 January 2012 were:

Mr David Irvine (Chairman)
Ms Katherine McCloskey
Mr Paul Mullan
Ms Janine Walker

The Co-opted member was not replaced.

The members of the Lottery and Grants Committee until 30 November 2011 were:

Ms Kate Bond (Chairman)
Ms Eithne Benson
Prof Paul Seawright
Mr Damien Coyle
Ms Janine Walker

There was no Lottery and Grants Committee after 30 November 2011. The main business of this committee is to discuss grants over £25,000. The Arts Council reduced the number of funding rounds, which resulted in no further rounds in the period to 31 March 2012. The committee did not meet again in the financial year.

The Board of the Arts Council are reviewing how it conducts business in respect to the number of committees and the frequency of meetings. During this review all business matters were conducted through the Board of the Arts Council directly.

Several members of the Board of the Arts Council 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. All 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 in Note 16. All of the transactions relating to the organisations were conducted at arms length by the Council.

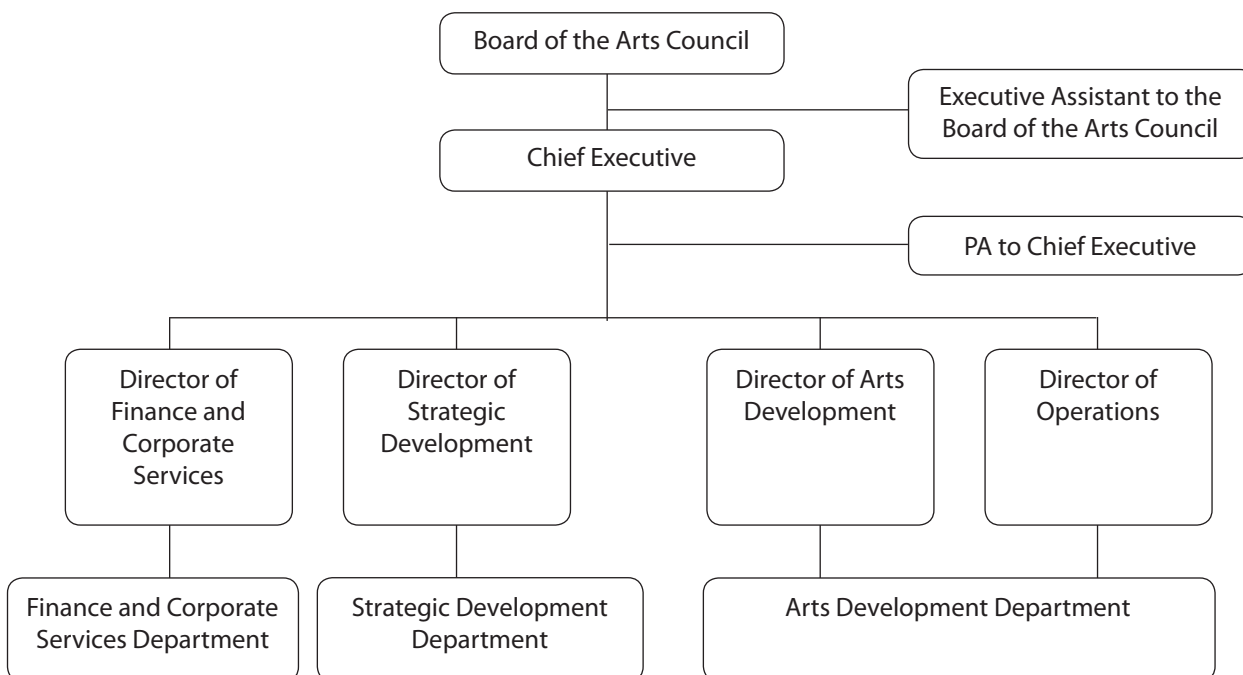
Board Members Attendance 2011-12

	Board				Committee Meetings		Total Meetings	
	Full	Part	Act	Poss	Act	Poss	Act	Poss
Eithne Benson ¹	10	0	10	10	2	2	12	12
Kate Bond ¹	6	0	6	10	2	2	8	12
Damien Coyle	12	1	13	15	11	13	24	28
Raymond Fullerton ¹	6	0	6	10	3	4	9	14
David Irvine	11	1	12	15	4	4	16	19
Rosemary Kelly ¹	10	0	10	10	6	7	16	17
Tony Kennedy ¹	9	0	9	10	4	7	13	17
Bill Montgomery ¹	3	2	5	10	3	6	8	16
Ian Montgomery	12	0	12	15	5	6	17	21
Sharon O'Connor ¹	5	0	5	10	0	0	5	10
Joe Rice ¹	5	2	7	10	1	5	8	15
Paul Seawright	11	0	11	15	1	4	12	19
Brian Sore	12	0	12	15	7	8	19	23
Peter Spratt ¹	7	1	8	10	1	3	9	13
Janine Walker	9	1	10	15	5	7	15	22
David Alderdice ²	5	0	5	5	0	0	5	5
Anna Carragher ²	4	0	4	5	0	0	4	5
Bob Collins ²	4	0	4	5	0	0	4	5
Noelle McAlinden ²	5	0	5	5	0	0	5	5
Katherine McCloskey ²	5	0	5	5	1	1	6	6
Paul Mullan ²	3	0	3	5	1	1	4	6

1 Term completed 30 November 2011

2 New members from 1 December 2011

Organisational Structure



Appointment of Auditors

Under the National Lottery etc. Act 1993, in particular Section 35(5), 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.

The fee for the audit of these financial statements was £27,000 (2010-11: £27,500).

So far as the Accounting Officer is aware, all information has been provided to the auditor, and there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all the steps she ought to have taken to make herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Policy on disabled persons

It is the Arts Council intention to ensure that people with a disability are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability for recruitment, training or promotion.

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.

Pension Fund

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the ACNI Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £126,584 (2010-11: £77,542).

The market value of the Council's share of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme's assets (excluding Additional Voluntary Contributions) at 31 March 2012 was £8.611 million (31 March 2011: £8.666 million) and the present value of the Council's share of the scheme liabilities was £11.675 million (31 March 2011: £10.739 million). The Council's share of the Scheme recorded net pension liabilities at 31 March 2012 was £3.065 million (31 March 2011: £2.073 million).

Employee consultation

On matters of policy and procedure which affect the employees of the Arts Council, the Council normally consults with the recognised trade union 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 Confederation of British Industry's Prompt Payment Code. The target for payment of bills is 10 days from receipt of 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 97 per cent of the bills were paid within this standard. The comparative figure for 2010-11 was 96 per cent. The target for this is 95 per cent. A review of payment of bills in 30 days from receipt of goods or services found that 100 per cent of the bills were paid within 30 days.

Overall for the year the average number of days taken to pay invoices was eight days.

Political and charitable donations

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

Equal Opportunity Policy

The Arts Council of Northern Ireland is an equal opportunities employer. It is the Arts Council's policy at all times to make appointments to its staff on a basis of merit without regard to consideration of sex, marital status, religious belief, political opinion, disability, ethnic origin, sexual orientation, age or Trade Union membership. Within the grant application process, applicants are required to demonstrate their commitment to equality of opportunity in all aspects of their work. In addition, the Council monitors all applications it receives in terms of Section 75 of the Northern Ireland Act 1998.

Management Commentary

Principal risks

Details on managing the Arts Council's risk can be found in the Statement on Internal Control. The principal risk facing the Arts Council arises from pressures on public funding from the four year spending review 2011-14. The Arts Council has modelled government cuts to inform options, the impact of cuts on arts organisations and staffing levels. It is essential that staffing levels are maintained at a level sufficient to deliver the lottery fund objectives.

Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Statement of Comprehensive Net Income. Total income received from the National Lottery totalled £8,591,823 (2010-11: £7,317,540). During the year the Arts Council made net hard commitments of £5,251,489 (2010-11: £4,159,675) to applicants, contributed £1,214,872 (2010-11: £1,214,872) to the Olympic Lottery Distribution Fund and contributed £150,000 (2010-11: £nil) for Cross Border Touring. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,209,941 (2010-11: £1,207,747).

Review of National Lottery distribution activities

During the 2011-12 year, 949 applications were received by the Arts Council seeking grants of £13,296,726 (2010-11: £8,085,445) across the main Lottery programmes. By the end of the year 420 (2010-11: 371) grants had been awarded through the main programmes, receiving a total of £7,807,650 (2010-11: £4,186,184). NI Screen made 80 (2010-11: 98) awards totalling £630,300 (2010-11: £622,615) under its three-year delegation agreement with the Arts Council. Therefore in aggregate 500 awards were made in year totalling £8,437,950 (2010-11: £4,808,799) as shown in Note 11 of the accounts.

The higher level of grant this year is due to the introduction of a new Annual Funding Programme. This Programme offers organisations year-round funding for a period of one to three years. Decisions and commitments on 58 awards totalling £3,568,681 under this programme for 2012-13 were made at the end of the 2011-12 financial year and are reflected in the 2011-12 figures.

Equity at the year end

At the 31 March 2012 the Lottery Distribution Account showed net income of £765,521 (31 March 2011: net income of £735,246). At the 31 March 2012 the total equity showed a surplus of £654,189 (31 March 2011: deficit of £206,129).

Comment on NLDF balance policy

As at the 31 March 2012, Arts Council Lottery Account balances at NLDF totalled £4.7 million (31 March 2011: £7.7 million), down £3 million on the prior year – a decrease of 39 per cent.

During 2009-10 the Council agreed a new target to reduce its balance in the NLDF to £5m by March 2013. With two major capital projects to be completed by March 2012, committed funds which had remained in the NLDF balance for a number of years have been drawn down. In addition, the majority of Lottery awards must be used within a calendar year of the date of the award thereby ensuring a quicker draw down.

As specified in the Lottery Accounts Direction, issued by DCAL, the NLDF balance is classified as investments held for sale in the Statement of Financial Position. This is in line with DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through reserves.

Current contracted commitments total £4.4 million. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £5 million as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

During the year the Arts Council developed an NLDF policy to improve compliance with the requirements of National Lottery Guidance Note 1/03. This policy was considered by the Arts Council's Audit and Risk Committee on 18 June 2012.

Sickness absence

The number of average sick days reported in 2011-12 per employee was 10.4 days (2010-11: 4.1 days).

Personal data

There were no reported personal data related incidents during the year.

Going concern basis

The Lottery Distribution Accounts of the Arts Council are produced on the Going Concern Basis. The Council is not aware of any reason to adopt a different basis.

The Arts 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 cash balances of £5 million as well as forecasted NLDF income to cover all current contracted commitments of £4.4 million. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

Non-audit services

During the year the Arts Council sought no non-audit services from its internal auditor KPMG or external auditor the Comptroller and Auditor General.

2011-12 National Lottery Distribution activities

The Council introduced a new three-year Annual Funding Programme designed for organisations that have arts programmes running throughout the year. The first decisions on this were made towards the end of the 2011-12 year for the 2012-13 financial year with 58 organisations funded.

The Council entered into a new delegation agreement with NI Screen allocating 8 per cent of its net available funds to NI Screen in support of the development, production and distribution of film.

Future Developments in National Lottery Distribution activities

In the incoming year the Council will continue to offer the full range of programmes which it has operated during the current year.

In addition, the Council will enter a joint initiative with the Big Lottery Fund offering small grants to community organisations wishing to celebrate the UK City of Culture 2013 in Derry – Londonderry. Having secured additional funding from the International Fund for Ireland and Peace III, the Council will also re-open its highly successful Re-Imaging Communities programme.

Remuneration Report

Staffing and Remuneration Policy

The Arts Council Staffing and Remuneration Committee is a Committee of the Board of the Arts Council. The Committee is authorised by the Board to undertake any activity within its terms of reference. Its membership is made up of four Board members as follows:

Until 30 November 2011:

R Kelly

D Coyle

B Montgomery

Prof I Montgomery

There was no Staffing and Remuneration Committee after 30 November 2011 as there was no senior civil servants pay award in the financial year ending 31 March 2012.

When acting as a Remuneration Committee the membership included one additional board member, B. Sore.

The Board of the Arts Council are reviewing how it conducts its business in respect to the number of committees and the frequency of meetings. During this review all business matters were conducted through the Board of the Arts Council directly.

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service grade. The remuneration of senior civil servants is set by the Minister of Finance and Personnel following independent advice from the Review Body on Senior Salaries. Further information about the work of the review body can be found at www.ome.uk.com.

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is normally comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. There was no senior civil service pay award in 2011-12. The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a freeze on senior pay in respect of 2010-11 and 2011-12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition Government's commitment to impose pay restraint. The Remuneration Committee is responsible for approving the Chief Executive's salary and assessing her performance. The method used for appraisal is that the Chief Executive has a staff appraisal with the Chairman on the basis of objectives set the previous year. The appraisal meeting also discusses objectives for the incoming year. These are further discussed by the Chairman with DCAL. On approval of same these are discussed and agreed with the Chief Executive as appropriate for the year. The pay system in place for senior civil servants in the Northern Ireland Civil Service is currently under review.

All other executive directors within the Arts Council are employed at Grade 7. The Arts Council's Management Statement directs that all senior staff positions above Deputy Principal are approved by DCAL. The majority of staff are appointed on Northern Ireland Civil Service pay scales.

All of the staff costs were incurred by the Arts Council of Northern Ireland and an appropriate amount was recharged to the Lottery Distribution Account. The apportionment is made at full economic cost and calculated on the basis of the proportion of activity funded by Lottery.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' 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. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

Appointments in the Arts Council are made with reference to the Equality Commission's Advice and Guidance. Policy relating to notice periods and termination payments are contained in individual terms and conditions of employment. Unless otherwise stated below, the employees covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. The Chief Executive was appointed on 16 October 2000. This position is permanent within the definition above as are the executive director positions.

Salary and Pension entitlements

The following sections provide details of the remuneration and pension interests of the Senior staff of the Arts Council.

Remuneration (Audited Information)

	2011-12 Salary	2011-12 Bonus	2011-12 Benefit in kind	2010-11 Salary	2010-11 Bonus	2010-11 Benefit in kind
Officials	£'000	£'000	£'000	£'000	£'000	£'000
R McDonough (Chief Executive)	70-75	–	–	75-80	–	–
N McKinney (Director of Arts Development)	50-55	–	–	45-50	–	–
G Troughton (Director of Finance and Corporate Services)	40-45	–	–	45-50	–	–
N Livingston (Director of Strategic Development)	50-55	–	–	45-50	–	–
L McDowell (Director of Operations)	45-50	–	–	40-45	–	–
Band of Highest Paid Director's Total Remuneration	70-75			75-80		
Median Total Remuneration	29,234			27,115		
Ratio	2.48			2.86		

Salary

'Salary' includes gross salary to the extent that it is subject to UK taxation. This report is based on payments made by the Arts Council of Northern Ireland before any recharge of costs is made to the Lottery fund.

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 below.

Board Members' Honoraria

No emoluments were paid to members of the Board of the Arts Council except for Honoraria to the Chairman and Vice Chairman.

The rate of honoraria for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The total cost of honoraria paid in 2011-12 was £12,250 (2010-11: £14,051) as shown in wages and salaries. This includes £417 of employer's National Insurance Contributions. The amounts received by the Chairman and Vice Chairman are detailed below:

	Chairman £	Vice Chairman £
R Kelly (Term finished on the 30 November 2011)	6,935	
B Collins (From 1 February 2012)	1,815	
D Coyle		3,500

Of the total cost of honoraria £5,145 (2010-11: £6,042) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chairman and Vice Chairman. These individuals are not included, therefore, in the following pension note.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. No bonuses were paid in 2011-12. (2010-11, £nil)

Median Remuneration

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Arts Council of Northern Ireland in the financial year 2011-12 was £70-75,000 (2010-11: £75-80,000). This was 2.48 times (2010-11: 2.86) the median remuneration of the organisation's workforce, which was £29,234 (2010-11: £27,115). Total remuneration includes salary, performance pay and bonuses. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Arts Council pensions

Pension Entitlements (Audited Information)

	Accrued pension at aged 65 as at 31 March 2012 £'000	Real increase in pension at age 65 £'000	CETV at 31 March 2012 £'000	CETV at 31 March 2012 £'000	Real increase in CETV £'000
R McDonough	25-30	(0-2.5)	645	648	68
N McKinney	15-20	0-2.5	283	247	74
G Troughton	5-10	2.5-5	68	23	49
N Livingston	15-20	0-2.5	390	357	81
L McDowell	15-20	0-2.5	392	354	87

Arts Council pensions

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee. This is a funded scheme which provides benefits on a 'final salary' basis at a normal retirement age of 65. Benefits accrue at the rate of 1/60th of pensionable salary for each year of service (1/80th before 1 April 2009). In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5 per cent and 7.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. In death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the spouse's pension. Medical retirement is possible in the event of serious ill- health. In this case pensions are brought into payment early.

During the year the Arts Council made contributions for 64 (2010-11: 63) employees (not all 64 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 2012 the Arts Council contributed 18 per cent (2010-11: 17 per cent) of gross salary.

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 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the pension arrangements. 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include 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.

Exit packages

No executive directors of the Arts Council received any termination benefits during the year.

Roisín McDonough
Accounting Officer for the Council

5 December 2012

Statement of the Arts 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 a form directed by the Secretary of State with the consent of DFP and HM Treasury in accordance with Section 35(3) of the National Lottery etc. Act 1993 and Lottery Accounts Direction given by DCAL.

The accounts 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, changes in equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by DCAL on behalf of the Secretary of State for DCMS, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual 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 Arts Council of Northern Ireland Lottery Distribution Fund will continue in operation.

The Accounting Officer for DCAL 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 *Managing Public Money* issued by HM Treasury, and in the Financial Directions issued by DCAL on behalf of the Secretary of State for DCMS under s26(3) of the National Lottery etc. Act 1993.

Roisín McDonough
Accounting Officer for the Council

5 December 2012

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 Arts Council of Northern Ireland'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 *Managing Public Money*. This responsibility is supported by the functions of the Council; Board; Committees (particularly the Audit and Risk Committee); internal and external audit; the Arts Council's risk register as well as accountability meetings with DCAL.

The purpose of the System on 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 in Arts Council of Northern Ireland for the year ended 31 March 2012 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 is incorporated into the corporate planning and decision making processes of the Arts Council. 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 and are supplemented by detailed best practice guidelines on Public Interest Disclosure (whistle-blowing) and Fraud Management policies among others.

The Board receives periodic reports concerning internal control and steps are taken to manage risks in significant areas of responsibility and monitor progress on key projects. A system of risk management is maintained to inform the Board's decisions and all reputational risks to the Council are drawn to the attention of the Chairman and are properly managed. The Risk Register is presented to the Audit and Risk Committee at each meeting and to the Board on a quarterly basis. Responsibility for risk management has been assigned to appropriate members of the executive team and officers and is reported on routinely to the Chief Executive and Director of Finance and Corporate Services.

The Audit and Risk Committee has lead responsibility for the periodic review of the risk framework/register and other records of risk. During the year the DCAL Minister appointed new board members. Subsequent appointments were made by the Board to the Audit and Risk committee which met in its quarterly meeting in January 2012 under the chairmanship of David Irvine.

Any revision to the framework discussed within the Audit and Risk Committee is recommended to the Board. The Audit and Risk Committee also reviews and agrees annually, the internal audit work schedule, considers and comments on all internal audit reports and reports to the full Board on key risks and audit matters. In accordance with these functions, the Chairman and members of the Audit and Risk Committee have received appropriate training in accordance with Best Practice guidelines and Corporate Governance principles. The Chairman also attends DCAL meetings and workshops for NDPB Audit Committee Chairmen.

The Board Chairman and Audit and Risk Committee Chairman review the final reports and accounts which are signed by the Chairman. The ensuing Report to those charged with Governance issued by the External Auditors is considered by both the Audit and Risk Committee and the Board.

Other committees, including the Finance and Capital and the Lottery and Grants take lead responsibility for periodically monitoring and reporting on, expenditure activities of the Arts Council. This encompasses both grants and core costs with detailed reviews of grant programme type and need, forming part of future grant decisions. The Committees report and make recommendations to the Board.

Finally, the Arts Council maintains a register of related party transactions in order to ensure opportunities for conflicts of interest are avoided. This register is maintained centrally and updated regularly. It features as a supplementary report in the decision-making process on relevant grants, to ensure the exclusion of parties with a perceived conflict of interest.

The risk and control framework

The Arts Council appointed independent Internal Auditors (KPMG) from a tender exercise in open competition. The internal auditors have 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 we updated the grants manual to reflect new grant programmes including Creative Industries, Arts and Older People etc. Grant monitoring procedures continue utilising both finance and internal audit expertise. I have been assured by my senior managers that the procedures continue to incorporate more sophisticated aspects such as multiple application fraud detection in line with policy and financial directions. I have also initiated risk based reviews of funded organisations by our Internal Auditors.

All staff have been provided with a copy of the Arts Council Information and IT Security Policy to ensure that they are aware of best practice in how to protect the data and assets held by the organisation.

Grants Verification procedures are in place. DCAL's framework for Risk Registers has also been adopted. The Framework is also guided by Best Practice in the areas of Public Interest Disclosure (Whistleblowing) and Fraud Risk Management. In accordance with central government guidelines and best practice the Arts Council has in place an Anti-Fraud Policy and a Public Interest Disclosure (Whistleblowing) Policy.

In 2010, the Public Record Office of Northern Ireland (PRONI) suspended records disposal across the Northern Ireland Civil Service. This was to ensure that any disposition (including actual destruction) of records complied fully with the Public Records Act (NI) 1923 and the Disposal of Documents Order 1925. A new system of assuring Retention and Disposal Schedules has now been agreed between the Public Record Office of Northern Ireland, the Departmental Solicitor's Office, and the Northern Ireland Assembly. In April 2011, the first Schedule has been successfully passed through the NI Assembly (enabling that particular organisation's retention and disposal activities to resume lawfully). As a result of this the Arts Council developed an updated Document Disposal Schedule in consultation with PRONI and in compliance with their guidelines. The updated schedule was laid before the Assembly and became live on 6 December 2011. This document is available on the Arts Council website

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

A three year Strategic Internal Audit Plan for 2011-13 is in place and has been reviewed and updated on an annual basis. The 2011-12 plan was updated to reflect requirements from DCAL Governance Support Unit and was accepted by the Audit and Risk Committee in September 2011.

An Internal Audit assurance statement was provided to the Audit and Risk Committee of the Arts Council for Northern Ireland in respect of the year ended 31 March 2012. On the basis of the programme of work performed during the year Internal Audit concluded that the Arts Council of Northern Ireland had established procedures that were adequate to meet management's control objectives in the systems audited. Internal Audit provided a Satisfactory level of assurance over the control environment at the organisation.

Outstanding internal and external recommendations are reviewed regularly and are incorporated into work plans for the incoming financial year.

Following a recommendation by the External Auditors in their Report to those charged with Governance; stewardship assurance statement were introduced and completed by my Directors. Based on information and reports produced by my Directors I make Quarterly Assurance Statements to DCAL which are also reviewed by the Audit and Risk Committee. These documents provide updates on current issues which the senior executives' are addressing. I am satisfied that systems of internal control are adequate in 2011-12.

The Board of the Council approved an updated Fraud policy in July 2011. The Responsible Officer notifies relevant parties of fraud as set out in the Fraud Response Plan. Currently two instances of alleged third party fraud are under consideration pending PSNI investigation.

During the year the Steering Group for Business Continuity Planning managed the testing schedule. The work involved successful backup and restoration of IT systems. Business Continuity Planning will continue to be reviewed in Steering Group meetings.

The Business Continuity plan has also been tested and updated when new IT systems are developed or systems amended.

Significant internal control issues

The following issues are considered:

Procurement: outstanding issues arising from an internal audit report on the Council's Procurement originally provided limited assurance. The areas of limited assurance related to (i) Development of Procurement guidance, (ii) Resourcing of Procurement and (iii) Single tender action approval and reporting. Effective management action had been taken to implement and progress internal audit recommendations by the completion of their follow up review. As a result Internal Audit revised the assurance rating to satisfactory.

Capital Projects: During the course of a review of the Lyric Capital Project conducted by DCAL's Internal Audit, deficiencies were identified in terms of document retention supporting the procurement process for the construction of the Lyric Theatre. The Arts Council will inform the Lyric of this finding and will include a clause in all future contracts relating to document retention.

Roisín McDonough
Accounting Officer for the Council

5 December 2012

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 2012 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and Auditor

As explained more fully in the Statement of the Arts Council's and Accounting Officer's responsibilities, the Arts Council of Northern Ireland and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arts Council of Northern Ireland Lottery Distribution Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council of Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council of Northern Ireland Lottery Distribution Account's affairs as at 31 March 2012 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made with HM Treasury approval under the National Lottery etc. Act 1993; and
- the information given in the Directors' Report and Management Commentary sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

11 December 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Comprehensive Net Income for the year ended 31 March 2012

	Notes	2011-12 £	2010-11 £
Expenditure			
New grants made in year	11	5,604,028	4,730,427
Grants de-committed in year	11	(352,539)	(570,752)
Transfer to 2012 Olympics	7	1,214,872	1,214,872
Grant Funding Cross Border Touring	3b	150,000	–
Staff costs: recharge	2	847,565	866,974
Other operating costs: direct costs	3a	98,621	87,702
Other operating costs: recharge	3a	263,755	253,071
Total Expenditure		<u>7,826,302</u>	<u>6,582,294</u>
Income			
Proceeds from Lottery ticket sales	4	8,446,571	7,216,180
Lottery investment returns	4	60,803	83,946
Other income	4	84,449	17,414
Total Income		<u>8,591,823</u>	<u>7,317,540</u>
Net Income		<u>765,521</u>	<u>735,246</u>
Other Comprehensive Income			
		2011-12 £	2010-11 £
Net gain on revaluation of investment classified as held for sale	7	94,797	(14,660)
Total Comprehensive Income for the year ended 31 March 2012		<u>860,318</u>	<u>720,586</u>

All activities are continuing with no acquisitions or disposals. There are no gains or losses other than those shown above.

The notes on pages 24 to 35 form part of these accounts.

Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012 £	31 March 2011 £
Non-current assets:			
Property, plant and equipment	5	–	–
Total non-current assets		<u>–</u>	<u>–</u>
Current assets:			
Investment classified as held for sale	7	4,732,359	7,664,416
Trade and other receivables	8	153,971	189,160
Cash and cash equivalents	9	283,757	358,769
Total current assets		<u>5,170,087</u>	<u>8,212,345</u>
Total assets		<u>5,170,087</u>	<u>8,212,345</u>
Current liabilities:			
Trade and other payables	10	81,429	193,094
Grant hard commitments	10	3,945,134	7,541,961
Total current liabilities		<u>4,026,563</u>	<u>7,735,055</u>
Non-current assets plus net current assets		<u>1,143,524</u>	<u>477,290</u>
Non-current liabilities			
Grant hard commitments	10	489,335	683,419
Total non-current liabilities		<u>489,335</u>	<u>683,419</u>
Assets less Liabilities		<u>654,189</u>	<u>(206,129)</u>
Equity:			
General reserve		531,425	(234,096)
NLDF revaluation reserve		122,764	27,967
Total Equity		<u>654,189</u>	<u>(206,129)</u>

The notes on pages 24 to 35 form part of these accounts.

Roisín McDonough
Accounting Officer for the Council

5 December 2012

Statement of Cash Flows for the year ended 31 March 2012

	Notes	2011-12 £	2010-11 £
Cash flows from operating activities			
Net income		765,521	735,246
Funds received into the National Lottery Distribution Fund	4	(8,507,374)	(7,300,126)
Decrease/(Increase) in trade and other receivables	8(a)	35,189	(21,082)
Decrease in payables < 1 year	10(a)	(3,708,492)	(2,016,521)
Decrease in payables > 1 year	10(a)	(194,084)	(1,611,581)
Net cash outflow from operating activities		<u>(11,609,240)</u>	<u>(10,214,064)</u>
Cash flows from financing activities			
Funds drawn down from the National Lottery Distribution Fund (including transfer to 2012 Olympics)	7	11,534,228	10,041,927
Net financing		<u>11,534,228</u>	<u>10,041,927</u>
Net decrease in cash and cash equivalents in the period		<u>(75,012)</u>	<u>(172,137)</u>
Cash and cash equivalents at the beginning of the period	9	<u>358,769</u>	<u>530,906</u>
Cash and cash equivalents at the end of the period	9	<u>283,757</u>	<u>358,769</u>

The notes on pages 24 to 35 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2012

	Notes	General Reserve £	NLDF Revaluation Reserve £	Total £
Balance at 31 March 2010		(969,342)	42,627	(926,715)
Changes in equity for 2010-11				
Comprehensive net income for the year		735,246	–	735,246
Net loss on revaluation of investment	7	–	(14,660)	(14,660)
Balance at 31 March 2011		(234,096)	27,967	(206,129)
Changes in equity for 2011-12				
Comprehensive net income for the year		765,521	–	765,521
Net gain on revaluation of investment	7	–	94,797	94,797
Balance at 31 March 2012		531,425	122,764	654,189

The notes on pages 24 to 35 form part of these accounts.

Notes to the Accounts – 31 March 2012

1 Statement of accounting policies

These financial statements have been prepared in a form directed by the Secretary of State with the consent of the Department of Finance and Personnel in accordance with Section 35(3) of the National Lottery etc Act 1993 and Lottery Accounts Direction given by DCAL.

The financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Arts Council of Northern Ireland Lottery Distribution Account for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council of Northern Ireland Lottery Distribution Account for the distribution of public funding for the Arts in Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a Accounting convention

These accounts have been prepared under the historical cost.

b Property, Plant and Equipment, Intangible Assets

Property, plant and equipment held by lottery at 31 March 2011 had no carrying amount and during 2011-12 these assets were transferred to ACNI Exchequer accounts at nil value. ACNI Exchequer is now responsible for all non-current asset purchase and maintenance. Non-current asset usage on lottery activities is recharged from the Exchequer to the Lottery account.

c Depreciation

The system of recharges, as described in the paragraph above, means that non current asset additions and their related depreciation are no longer reflected in the Lottery Accounts.

d 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 DCMS. However, the share of these balances attributable to the Arts Council of Northern Ireland is as shown in the accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for DCMS as being available for distribution by the Arts Council in respect of current and future commitments.

As specified in the Lottery Accounts Direction, issued by DCAL, the NLDF balance is classified as investments held for sale in the Statement of Financial Position. This is in line with the DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through the NLDF revaluation reserve.

e Soft and Hard Commitments

A grant commitment is deemed to be a soft commitment once the Letter of Offer has been drawn up and sent to the grant client. The commitment then becomes a hard commitment once the grant client has sent back a Letter of Acceptance of the amount and terms of the grant award. The commitment will remain as hard provided the client continues to meet the conditions of grant. Soft commitments are disclosed in Note 11 to the accounts purely for information as the soft commitments are not recognised as expenditure in the Statement of Comprehensive Net Income.

f Transfer to 2012 Olympics

It has been agreed with DCMS that the transfers to the Olympic Lottery Distribution Fund will take place quarterly over the years 2009-10 to 2012-13. The transfers are charged to the Arts Council of Northern Ireland Lottery Distribution Account in the year the transfer takes place.

g Recharge of Staff Costs and Apportionment of Other Operating Costs

Administrative overheads and salaries are incurred by the Arts Council of Northern Ireland and paid initially from Exchequer funds. An amount is then recharged to cover the costs of staff working on Lottery Grants. A Service Level Agreement on Recharging of Salaries and Overheads between Exchequer and Lottery was approved by the Board on the 16 November 2011.

Recharges for the 2011-12 year have therefore been made in line with this agreement which stipulates that Staff Costs (including Honoraria) and relevant Overhead Costs will be recharged to Lottery at 42 per cent.

h Pension Costs

Past and present employees are covered by the provisions of the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC).

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuation of the scheme was at 31 March 2012.

Pension scheme assets are measured using the market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The pension cost in respect of employees is charged to the Statement of Comprehensive Net Income so as to recognise the cost of pensions over the employees' working lives.

i Operating Income

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

j Financial Instruments

As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit liquidity or market risk.

k Staff Costs

Under IAS19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using data from leave records.

2 Staff numbers and related costs

Staff costs comprise:

	Total	Permanently Employed Staff	Others	2010-11
	£	£	£	£
Wages and salaries	650,816	596,520	54,296	734,237
Social security costs	49,077	44,913	4,164	49,182
Other pension costs	126,584	124,337	2,247	77,542
Agency costs	21,088	–	21,088	6,013
Total	847,565	765,770	81,795	866,974

All of the staff costs were incurred by the Arts Council of Northern Ireland and 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. The table below gives a breakdown of the average number of full time equivalent staff employed across the whole Arts Council during the year and the average number of full time equivalent staff working on the Lottery Distribution Account during the year:

	Total	Permanently Employed Staff	Others	2010-11
	£	£	£	£
Arts Council of NI				
Directly employed	56	46	10	60
Staff engaged on capital projects	1	1	–	1
	57	47	10	61
Agency Staff	1	–	1	1
Total	58	47	11	62
Lottery Distribution Account				
Directly employed	24	20	4	25

Chief Executive's Remuneration

The Chief Executive's remuneration, including backdated pay awards, during the year was £74,913 (2010-11: £77,700). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £42,784 (2010-11: £44,902) of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities and expenses. This amount is included in the staff costs recharge to the Lottery Distribution fund noted above.

Pension Contributions

The NILGOSC Scheme is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2011-12 the contribution rates were 18 per cent employers and ranging between 5.5 per cent and 7.5 per cent employees (2010-11: 17 per cent employers and ranging between 5.5 per cent and 7.5 per cent employees).

Exit Packages

No staff members of the Arts Council received any termination benefits during the year.

Pension Commitments

The Council makes employer contributions to the Northern Ireland Local Government Officers Superannuation Scheme (NILGOSC) which is a funded scheme of the defined benefit type.

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £126,584 (2010-11: £77,542).

Details of this pension scheme are available within ACNI Exchequer accounts.

3a Other Expenditure

	Total £	Direct £	Recharge £	2010-11 £
ACNI Administration Apportionment	263,755	–	263,755	249,079
Awards for All Administration	–	–	–	1,407
NI Screen Administration	36,624	36,624	–	33,717
Re-imaging Communities Administration	–	–	–	7,185
Small Grants Administration	–	–	–	1,191
Arts and Older People Administration	1,180	1,180	–	3,226
Audit Fees	27,000	27,000	–	27,500
Consultancy – Capital build programme	18,817	18,817	–	–
Cultural Olympiad – Commissions	15,000	15,000	–	15,000
External Monitoring	–	–	–	2,468
Total	362,376	98,621	263,755	340,773

Of the total operating expenses of £362,376 an amount of £263,755 (2010-11: £253,071) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £263,755 (2010-11: £253,071) administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Council from which the Lottery benefited indirectly. The apportionment was made at full economic cost and calculated on appropriate bases.

3b Grant Funding Cross Border Touring

In 1999 an agreement was reached between Arts Council England, Creative Scotland, Arts Council of Wales and Arts Council of Northern Ireland to provide funding to enable companies and individuals to undertake cross border touring within the other Arts Council's territories. During 2010-11 a new agreement was drawn up to fund these activities from Lottery instead of Exchequer monies. During 2011-12 expenditure of £150,000 was incurred in respect of this agreement. (2010-11 £nil).

4 Income

	2011-12	2010-11
	£	£
NLDF Income:		
Investment Income	60,803	54,538
Realised Gain on Investment	–	29,408
Lottery Investment Returns	60,803	83,946
Proceeds from Lottery Ticket Sales	8,446,571	7,216,180
Total NLDF Income	8,507,374	7,300,126
Other Income:		
Bank Interest	–	–
Grants Refunded	26,425	3,927
NI Screen Recoupment	57,750	13,487
Miscellaneous	274	–
Total Other Income:	84,449	17,414
Total Income	8,591,823	7,317,540

5 Property, plant and equipment

	Information Technology	Furniture and Fittings	Total
	£	£	£
Cost			
At 1 April 2011	8,316	3,582	11,898
Additions	–	–	–
Disposals	(8,316)	(3,582)	(11,898)
At 31 March 2012	–	–	–
Depreciation			
At 1 April 2011	8,316	3,582	11,898
Charged in Year	–	–	–
Disposals	(8,316)	(3,582)	(11,898)
At 31 March 2012	–	–	–
Carrying amount at 31 March 2012	–	–	–
Carrying amount at 31 March 2011	–	–	–

	Information Technology Fittings £	Furniture and £	Total £
Cost			
At 1 April 2010	8,316	3,582	11,898
Additions	–	–	–
Disposals	–	–	–
At 31 March 2011	8,316	3,582	11,898
Depreciation			
At 1 April 2010	8,316	3,582	11,898
Charged in Year	–	–	–
Disposals	–	–	–
At 31 March 2011	8,316	3,582	11,898
Carrying amount at 31 March 2011	–	–	–
Carrying amount at 31 March 2010	–	–	–

6 Financial Instruments

IAS 39 requires disclosure of the role which financial instruments have had during the year in creating or changing the risks the Fund faces in undertaking its role. As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit, liquidity or market risk.

Liquidity Risks

In 2011-12, £8.4 million or 98.31 per cent (2010-11: £7.2 million or 98.61 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, £61,000 or 0.71 per cent (2010-11: £84,000 or 1.15 per cent), and from Sundry Income, £84,000 or 0.98 per cent (2010-11: £17,000 or 0.24 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 cash balances of £5 million as well as forecasted NLDF income to cover all current contracted commitments of £4.4 million. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

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 Statement of Financial Position date the Market Value of investment in the National Lottery Distribution Fund was £4.7 million. In the year the rate of return declared by NLDF was 2.26 per cent (2010-11: 1.13 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 0 per cent (2010-11: 0 per cent) in the year. The Arts Council Lottery fund bank account has an applicable credit interest rate of base less 1 per cent. In March 2009 the Bank of England base rate dropped to 0.5 per cent, hence no interest has been credited to the account from this date. The cash balance at the year-end was £283,757 (31 March 2011: £358,769). 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.

7 Reconciliation of Movement in National Lottery Distribution Fund

The funds held in the NLDF are invested on its behalf by the National Investment and Loans Office. Up to 1996-97 the Arts received 20 per cent of the monies paid into the Fund by Camelot, the Lottery operator, after deduction of expenses incurred by DCMS 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.

In February 2008, a Statutory Instrument (SI 2008 No. 255 the Payments into the Olympic Lottery Distribution Fund etc Order 2008) was passed which allowed for the transfer of up to £1,085 million from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410 million as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675 million arising from the subsequent budget review. ACNI was committed to contribute up to £1.989 million in the original bid and this order allows for the transfer of up to a further £2.525 million. It has been agreed with DCMS that the transfers will take place quarterly. The first transfer of funds took place on the 1 February 2009 when ACNI contributed £303,718. Since then the Arts Council has contributed a further £3,644,616 by way of quarterly transfers. This has equated to £1,214,872 in each of the financial years 2009-10, 2010-11 and 2011-12. The Arts Council is therefore committed to pay the balance of £0.57 million over the year 2012-13.

The closing market value of investments held at 31 March 2012 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £4,732,359 (31 March 2011 £7,664,416).

As specified in the Lottery Accounts Direction, issued by DCAL, the NLDF balance is classified as investments held for sale in the Statement of Financial Position. This is in line with the DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss to be recognised through reserves.

Balances in NLDF

	31 March 2012	31 March 2011
	£	£
Proceeds from Lottery	8,446,571	7,216,180
Investment Income	60,803	54,538
Drawn down in year by Arts Council	(10,319,356)	(8,827,055)
Transfer to 2012 Olympics	(1,214,872)	(1,214,872)
Total Decrease in Funds	(3,026,854)	(2,771,209)
Realised Gain on Investment	-	29,408
Movement in Revaluation Reserve	94,797	(14,660)
Balance as at 1 April	7,664,416	10,420,877
Balance as at 31 March	4,732,359	7,664,416

8a Trade receivables and other current assets

	31 March 2012	31 March 2011
	£	£
Amounts falling due within one year:		
Bank Interest	–	–
Prepayments and Accrued Income	153,971	189,160
	<u>153,971</u>	<u>189,160</u>

Other Current Assets includes £nil (31 March 2011: £349) in respect of a reimbursement to the Lottery Distribution Account from the Arts Council of Northern Ireland in respect of services rendered.

8b Trade receivables and other current assets – Intra-Government Balances

	31 March 2012	31 March 2011
	£	£
Central Government	153,785	349
Other Public Bodies	–	188,771
Intra Government Receivables	153,785	189,120
Bodies External to Government	186	40
	<u>153,971</u>	<u>189,160</u>

9 Cash and cash equivalents

	31 March 2012	31 March 2011
	£	£
Balance at 1 April	358,769	530,906
Net change in cash and cash equivalent balances	(75,012)	(172,137)
Balance at 31 March	<u>283,757</u>	<u>358,769</u>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	283,757	358,769
Balance at 31 March	<u>283,757</u>	<u>358,769</u>

10a Trade payables and other current liabilities

	31 March 2012	31 March 2011
	£	£
Amounts falling due within one year		
Accruals and deferred income	81,429	193,094
Grant hard commitments (Note 11)	3,945,134	7,541,961
	<u>4,026,563</u>	<u>7,735,055</u>
Amounts falling due after more than one year		
Grant hard commitments (Note 11)	<u>489,335</u>	<u>683,419</u>

Other Current Liabilities includes £54,429 (31 March 2011: £142,530) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

10b Trade payables and other current liabilities – Intra-Government Balances

	31 March 2012 £	31 March 2011 £
Amounts falling due within one year		
Central Government	374,518	142,530
Local Authorities	496,159	571,644
NHS Trusts	32,761	–
Other Public Bodies	–	452,102
Intra Government Payables	<u>903,438</u>	<u>1,166,276</u>
Bodies External to Government	<u>3,123,125</u>	<u>6,568,779</u>
	<u>4,026,563</u>	<u>7,735,055</u>
Amounts falling due after more than one year		
Bodies External to Government	<u>489,335</u>	<u>683,419</u>

11 Grant Commitments

	31 March 2012 £	31 March 2011 £
Soft Commitments		
a Soft commitments brought forward	215,833	191,561
b Soft commitments transferred to hard commitments	(5,604,028)	(4,730,427)
c Soft de-commitments	(10,500)	(54,100)
d Soft commitments made in year	<u>8,437,950</u>	<u>4,808,799</u>
e Soft commitments carried forward	<u>3,039,255</u>	<u>215,833</u>
Hard Commitments		
a Hard commitments brought forward	8,225,380	11,755,967
b Hard commitments met in year	(9,042,400)	(7,690,262)
c Hard de-commitments	(352,539)	(570,752)
d Hard commitments made	<u>5,604,028</u>	<u>4,730,427</u>
e Hard commitments carried forward	<u>4,434,469</u>	<u>8,225,380</u>
Profile of Hard Commitments over the next five years		
Amounts falling due during 2011-12	–	7,541,961
Amounts falling due during 2012-13	3,945,134	194,084
Amounts falling due during 2013-14	489,335	489,335
Amounts falling due during 2014-15	–	–
Amounts falling due during 2015-16	–	–
Amounts falling due during 2016-17	–	–
	<u>4,434,469</u>	<u>8,225,380</u>
Total grant commitments carried forward:		
Soft	<u>3,039,255</u>	<u>215,833</u>
Hard	<u>4,434,469</u>	<u>8,225,380</u>
	<u>7,473,724</u>	<u>8,441,213</u>

Current contracted commitments total £4.4 million. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £5 million as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

12 Public/Private Grant Payment Analysis

During the financial year 2011-12 grants paid according to the following definitions were:

	31 March 2012	31 March 2011
	£	£
Local Authorities	124,860	446,149
Other Public Bodies	53,750	625,341
Intra Government Payments	178,610	1,071,490
Payments to bodies External to Government	8,863,790	6,618,772
Total Payments (Note 11)	<u>9,042,400</u>	<u>7,690,262</u>

13 Capital Commitments

There were no capital commitments as at 31 March 2012 (31 March 2011: Nil).

14 Contingent Liabilities disclosed under IAS 37

The Arts Council of Northern Ireland has the following contingent liability. Under direction from the Department of Culture, Arts and Leisure, the Arts Council changed the pension arrangements for some of its staff. This action will likely be subject to legal challenge and the impact on the Arts Council is unknown at this stage. Therefore neither can the proportion rechargeable (if any) to the lottery distribution Account be known.

15 Losses and Special Payments

There were no losses or special payments during the year which required disclosure in the accounts (31 March 2011: Nil).

16 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 and during the year the Council had various material transactions with DCAL.

The Lottery Account operations of the Arts Council of Northern Ireland are funded from the National Lottery Fund through DCMS. DCMS is regarded as a related party. During the year the Council has had various material transactions with DCMS.

The Arts Council of Northern Ireland Exchequer Account is also regarded as a related party to The Arts Council's National Lottery Distribution Account. At 31 March 2012 a net amount of £54,429 (2010-11: £142,181) was owed to the Exchequer Account in respect of salary and other administrative costs incurred.

Several members of the Board of the Arts Council 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 arm's length by the Council

Grant Ref	Organisation Name	Grant Amount	Nature of relationship
ACNI/7309	Arts Care Limited	£43,175	ACNI board member (Brian Sore) is a sub committee member of Arts Care
ACNI/8151	Arts Care Limited	£90,594	ACNI board member (Brian Sore) is a sub committee member of Arts Care
ACNI/7317	Belfast Festival at Queen's	£95,000	ACNI board member (Paul Seawight) has an association with the Belfast Festival at Queens
ACNI/7336	Camerata Ireland	£50,000	ACNI board member (Bill Montgomery) is also a board member of Camerata Ireland
ACNI/7406	Camerata Ireland	£7,500	ACNI board member (Bill Montgomery) is also a board member of Camerata Ireland
ACNI/7083	Feile an Phobail	£25,000	ACNI board member (Tony Kennedy) has an association with Feile an Phobail
ACNI/8247	Moving on Music	£114,150	ACNI board member (David Irvine) is Chair of Moving on Music board
ACNI/7307	Poetry Ireland	£10,001	ACNI board members (Rosemary Kelly and Tony Kennedy) has an association with Poetry Ireland
ACNI/8227	Replay Theatre Company	£18,757	ACNI board member (Paul Mullan) is trustee of Old Museum Building which houses Replay Theatre Company
ACNI/7310	Spanner in the Works	£11,730	ACNI board member (Janine Walker) was co-founder of Spanner in the Works. Although no longer involved remains in regular contact with the Artistic Director of Spanner in the Works
ACNI/8162	Spanner in the Works	£36,905	ACNI board member (Janine Walker) was co-founder of Spanner in the Works. Although no longer involved remains in regular contact with the Artistic Director of Spanner in the Works
ACNI/7341	The Nerve Centre	£10,305	ACNI board member (Noelle McAlinden) has an association with The Nerve Centre via Culture NI through the John Hewitt Society
ACNI/7149	Ulster Orchestra Society Ltd	£68,580	Family member of ACNI board member (Eithne Benson) is on the board of the Ulster Orchestra. ACNI board member (Raymond Fullerton) is on the board of the Ulster Orchestra and a ACNI board member (Bob Collins) is former board member
ACNI/8325	Ulster Orchestra Society Ltd	£9,000	ACNI board member (Bob Collins) is former board member
ACNI/8311	Western Health and Social Care Trust	£11,500	ACNI board member (Damien Coyle) has an association with Western Health and Social Care Trust

Other transactions relation to organisations conducted at arm's length by the Council were:

Marsh UK Ltd	£21,997	ACNI board member (David Irvine) is an employee of Marsh
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17 IAS 10 – Events after the reporting period

There have been no events after the reporting period outside the ordinary course of business that would materially affect the Arts Council since 31 March 2012.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on the date they were certified by the Comptroller and Auditor General.

Appendix A

Revised Lottery Policy Directions to Arts Council of Northern Ireland

The Department of Culture, Arts and Leisure, on behalf of the Department for Culture, Media and Sport, in exercise of the powers conferred by section 26(1) of the National Lottery etc. Act 1993 and having consulted the Arts Council of Northern Ireland pursuant to section 26(5) of that Act, hereby gives the following directions:

- 1 In these Directions any reference to a section is a reference to a section of the National Lottery etc Act 1993.
- 2 In determining the persons to whom, the purposes for which and the conditions subject to which it distributes any money under section 25(1), the Arts Council of Northern Ireland shall take into account the following matters:
 - A Its assessment of the needs of the arts and its priorities for addressing them (having regard to government strategies/policies in force).
 - B The need to inspire children and young people, awakening their interest and involvement in the arts.
 - C The need to foster local community initiatives which bring people together, enrich the public realm and strengthen community spirit.
 - D The need to support volunteering and encourage volunteering in the arts.
 - E The need to encourage new talent, innovation, and excellence and help people to develop new skills.
 - F The need to involve the public and local communities in making policies and setting priorities.
 - G The need to consider projects relating to film and the moving image, and in particular the need to foster the development of sustainable structures in the film industry by, among other things, supporting the development, distribution and promotion of films, as well as their production.
 - H The need to ensure that money is distributed for projects which promote public good rather than private gain.
 - I The need to further the objectives of sustainable development.
 - J The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.
 - K The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants.
 - L The desirability of:
 - a increasing access and participation for all;
 - b ensuring that all areas have access to funding; and
 - c reducing economic and social deprivation.
 - M The desirability of working jointly with other organisations, including other distributors.

- N The need:
- a to set time limits for which grants are payable;
 - b to ensure that the Arts Council of Northern Ireland has the necessary information and expert advice to make decisions on each application; and
 - c for applicants to demonstrate the financial viability of projects.
- O Where capital funding is sought, the need:
- a for a clear business plan showing how any running and maintenance costs will be met for a reasonable period; and
 - b to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.
- P The need to ensure that its powers to solicit applications under section 25 (2A) are used in connection with the pursuit of strategic objectives.

Signed on behalf of the Department of Culture, Arts and Leisure

Paul Sweeney

16 April 2008

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