

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

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# Arts Council of Northern Ireland Lottery Distribution Account 2008-2009

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# Arts Council of Northern Ireland Lottery Distribution Account 2008-2009

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20 JULY 2009

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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 fifteen 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 1998-1999 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 £1,085m 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 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 accounts direction given by the Department of Culture, Arts and Leisure, with the approval of the Secretary of State for Culture, Media and Sport. 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

The Minister of Culture, Arts and Leisure approves the appointment of the Chairman, Vice Chairman and members of the Board. 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 2009 is shown below.

### Board

Ms Rosemary Kelly (Chairman)	Prof Ian Montgomery (from 1 April 2008)
Mr Damien Coyle (Vice Chairman)	Ms Sharon O'Connor
Mrs Eithne Benson	Mr Joe Rice
Ms Kate Bond (Maternity Leave from 8 October 2008)	Prof Paul Seawright
Mr Raymond Fullerton	Mr Brian Sore
Mr Peter Spratt	Mr David Irvine
Ms Janine Walker	Mr Tony Kennedy
Mr Bill Montgomery	

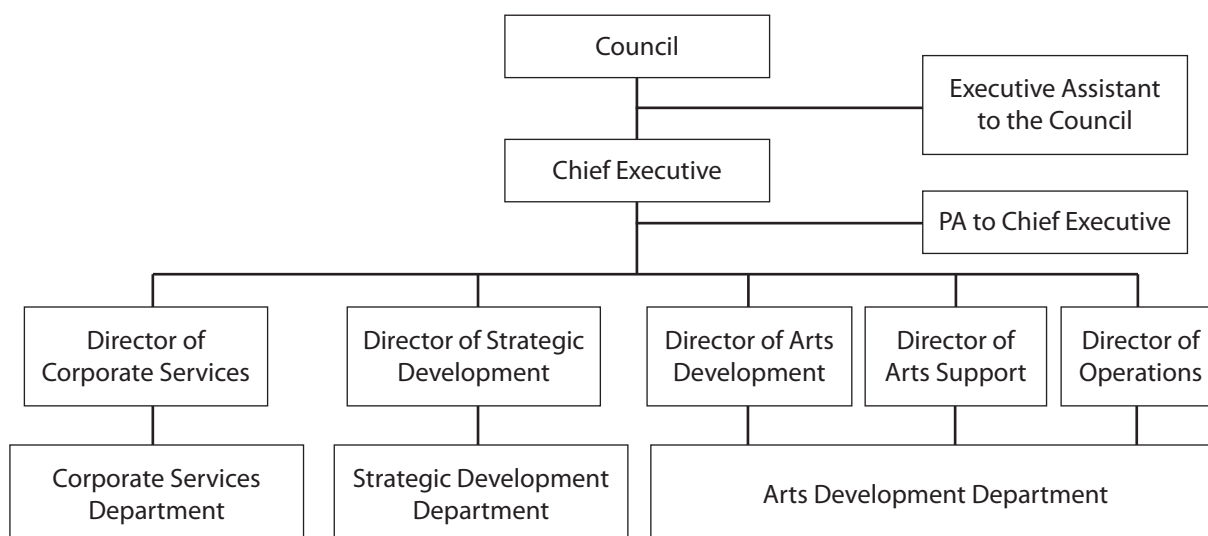
The members of the Audit Committee for the year ended 31 March 2009 were

Mr Tony Kennedy (Chairman), Mr Raymond Fullerton, Mr David Irvine, Mr Ciaran Doran (Co-opted Member until 9 June 2008) and Mr Ivor Johnston (Co-opted Member).

The members of the Lottery, Grants and Capital Committee for the year ended 31 March 2009 were Ms Kate Bond (Chairman – Maternity Leave from 8 October 2008), Mrs Eithne Benson (Acting Chairman from 8 October 2008), Prof Paul Seawright, Mr Damien Coyle, Mr Tony Kennedy.

Several members of the Board of the Arts Council, its Lottery, Grants and Capital 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 in Note 16. All of the transactions relating to the organisations were conducted at arms length by the Board members and staff of the Arts Council.

## 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.

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 Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £118,668 (2007-2008: £64,836).

The market value of the Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2009 was £5.372m (2007-2008: £6.982m) and the present value of the Council's share of the scheme liabilities was £7.432m (2007-2008: £7.617m). The Council's share of the Scheme recorded net pension liabilities at 31 March 2009 was £2,060,000 (31 March 2008: £635,000).

## 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 90 per cent of the bills were paid within this standard. The comparable figure for the previous year was 90 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.

## 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

### 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 £6,121,554 (2007-2008: £6,077,064). During the year the Arts Council paid £8,746,370 (2007-2008: £11,018,075) to applicants. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,124,114 (excluding depreciation) (2007-2008: £995,871). This represents approximately 18 per cent (2007-2008: 16 per cent) of the total proceeds received in the year and 12 per cent (2007-2008: 9 per cent) of total funds drawn down.

### Review of National Lottery distribution activities

During the year 2008-2009, 696 applications were received seeking grants of £10,612,661 (2007-2008: £7,790,576) across its main programmes. By the end of the year 269 (2007-2008: 185) grants had been awarded through the main programmes, receiving a total of £4,343,687 (2007-2008: £3,095,829). In addition, through Awards for All the Council made 85 (2007-2008: 91) awards totalling £483,424 (2007-08: £558,417). NI Screen made 44 (2007-2008: 38) awards totalling £469,000 (2007-2008: £412,554) under its three year delegation agreement with the Arts Council. The Board continued to make awards under its Project Funding programme.

### Significant changes in fixed assets

The movement on fixed assets is set out in note 6 to the financial statements. There were no significant changes during the year. The net book value of the fixed assets decreased from £568 to £210 following a depreciation charge of £358 for the year.

### Retained funds at the year end

At the end of the year the Lottery Distribution Account showed an increase in funds of £474,693 (2007-2008: decrease of £1,436,128). At the end of 2008-2009 the retained funds totalled £4,831,177 (2007-08: £4,356,484). This amount will be carried forward to the 2009-2010 financial year and will be available for distribution.

### Comment on NLDF Balance Policy

In June 2004 the Board formally approved a policy whereby the Arts Council would aim to reduce NLDF balances to less than half the 2004 level (to £17m) 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 the 31 March 2009, Arts Council Lottery Account balances at NLDF totalled £15.3m (2007-2008: 18.9m), down £3.6m on the prior year - a decrease of 19 per cent. The target balance for the 31 March 2007 was £17m. This target was not revised during the 2008-2009 year. The NLDF policy will be rewritten in light of the transfer to the 2012 Olympics and will be approved by Council during 2009-2010.

The Council's hard and soft commitments totalled £10.8m and it had balances of £15.3m held at NLDF and £0.2m locally, leaving a free cash balance of circa £4.7m.

### Sickness absence

The number of sick days reported in 2008-2009, including maternity related sickness, was 700 (2007-2008: 543). This equates to an average per employee of 13 days (2007-2008: 10 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.

## 2008-2009 National Lottery Distribution Activities

In 2008-2009 due to reducing Lottery income, the Arts Council was not able to offer capital grants towards new buildings, refurbishments, equipment or its very successful musical instruments for bands scheme. Alternative funds were found, however, from Exchequer sources.

With the closure of the joint distributor Awards for All programme in December 2008 the Arts Council developed its own small grants programme which was launched in January 2009 with the first decisions made in April 2009.

During 2007-2008 the Board agreed that it could no longer offer 13 per cent of its annual income to NI Screen and agreed a formula whereby NI Screen would receive 10 per cent of funds available in 2008-2009. This will reduce over the subsequent two years to 8 per cent by 2010-2011.

To help organisations in receipt of capital funds, the Council introduced a Capacity Building programme. The first awards were made in March 2009 to six organisations.

## Future Developments in National Lottery Distribution Activities

During the 2009-2010 the Council will be commissioning a review of its grant distribution processes to ensure best practice is employed. It is anticipated that any changes to systems arising from the review will be implemented for the 2010-2011 year.

Although the Council has no Lottery capital line, it will offer a programme to fund feasibility studies for those organisations wishing to undertake capital programmes in the future. The first decisions will be taken in June 2009.

Having committed funding in 2006 to the cross-departmental Re-imaging programme, the first three grants from Lottery funds were made at the end of 2008-2009, but the bulk of awards will be made during 2009-2010.

The Council has also committed £200,000 from its Lottery funds towards one of the Cultural Olympiad Major Projects – Artists taking the Lead – with shortlisting due to take place at the beginning of 2009-2010 and a final award being made towards the end of the year.

## Remuneration Report

### 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 Council to undertake any activity within its terms of reference. Its membership is made up of 4 Board members as follows

R Kelly

D Coyle

B Montgomery

B Sore (Resigned 30 June 2008)

I Montgomery (From 1 October 2008)

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. Further information about the work of the review body can be found at <http://www.ome.uk.com>

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The non-consolidated bonuses are payable to a proportion of SCS staff as part of the annual pay award.

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. All other senior staff positions above Deputy Principal are approved by DCAL. The Committee is responsible for approving the Chief Executive's salary and assessing her performance. The majority of staff are appointed on the Northern Ireland Civil Service pay scale.

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 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.

### Service contracts

Appointments in ACNI 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. In relation to the position of Roisin McDonough, Chief Executive, she was appointed on the 16 October 2000. This position is permanent within the definition above as are the executive director positions.

### Salary

'Salary' (as given in the table on page 9) includes gross salary and performance pay or bonuses, to the extent that they are 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 total cost of honoraria relating to 2008-2009 was £14,082 (2007-2008: £12,189). This includes £582 of employer's National Insurance Contributions. The amounts received by the Chairman (including previous year's accrued amount) and Vice Chairman are detailed below

	<b>Chairman</b>	<b>Vice Chairman</b>
	£	£
R Kelly	11,500	
D Coyle		3,500

Of this amount £3,521 (2007-08: £3,422) 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 pension note below

## Salary and Pension Entitlements - Senior Staff (Audited Information)

	<b>2008-2009</b>	2007-2008
	<b>Salary</b>	Salary
	<b>£000</b>	£000
R McDonough (Chief Executive)	<b>75-80</b>	65-70
P Hammond (Director of Arts Support – Retired 31 March 2009)	<b>50-55</b>	45-50
N McKinney (Director of Arts Development)	<b>45-50</b>	45-50
P Burns (Director of Corporate Services)	<b>45-50</b>	45-50
N Livingston (Director of Strategic Development)	<b>45-50</b>	40-45
L McDowell (Director of Operations)	<b>40-45</b>	35-40

## Arts Council Pensions

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Scheme. 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 1/80th of pensionable salary for each year of service. In addition, a tax free lump sum equivalent to 3 years' pension is payable on retirement. Members should pay contributions of 6 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 twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 6 2/3 years. Medical retirement is possible in the event of serious ill-health. In this case pensions are brought into payment early.

During the year ACNI made contributions for 63 (2007-2008: 61) employees (not all 63 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 2009 the Arts Council contributed 16 per cent (2007-2008: 15 per cent) of gross salary. The salary charges to Lottery in-year include a recharge of employer pension costs of £118,668 (2007-2008: £64,836).

	<b>2008-2009</b>	2007-2008
	<b>£</b>	<b>£</b>
Employer's	<b>118,668</b>	64,836

**Pension Entitlements (Audited Information)**

	Pensionable earnings	Accrued pension 65	Real increase in pension	Accrued lump sum at 65	Real increase in lump sum	CETV 31 March 2008	CETV 31 March 2009	Real increase in CETV
	£000	£000	£000	£000	£000	£000*	£000	£000
R McDonough	70-75	24.2	1.45	72.5	4.35	477.5	551.3	50.8
P Hammond	50-51	22.0	0.76	66.1	2.27	450.8	503.5	31.0
N McKinney	45-50	13.1	0.31	39.3	0.93	204.1	227.4	13.2
P Burns	45-50	11.2	0.35	33.6	1.1	210.2	234.2	15.0
N Livingston	45-50	15.1	0.33	45.3	0.98	278.9	310.6	17.8
L McDowell	40-45	14.8	0.26	44.3	0.76	274.0	303.1	15.5

\* The opening CETV figures are different to the closing year's figures from last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

**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 NILGOSC 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.

*Roisín McDonough*  
Accounting Officer for the Council  
8 July 2009

Rosemary Kelly, OBE  
Chairman  
8 July 2009

## 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 a form directed by the Secretary of State with the consent of DFP in accordance with Section 35(3) of the National Lottery etc 1993 and accounts direction given by the Department of Culture, Arts and Leisure.

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, 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 'Managing Public Money' 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

8 July 2009

## 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 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 Council, various Committees (particularly the Audit Committee), the internal auditor, external audit work and active management of the Arts Council's risk register as well as reporting to the Department of Culture, Arts and Leisure through the quarterly Accountability Meetings.

### 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 provide only 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 the Arts Council's 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 the Arts Council for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. The organisation will at all times ensure that it meets its statutory reporting and regulatory obligations; that it is accountable to both its sponsoring department and, ultimately, to the public; and that it will maintain systems to protect, and ensure value-for-money in the use of, its resources in the meeting of its aims and objectives.

### 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 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. Responsibility for risk management has been assigned to appropriate members of the executive team and is reported on routinely to the Chief Executive and Director of Corporate Services. A staff training programme on best practice in risk management is due to be implemented in 2009-2010.

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

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

Finally, the Audit Committee reviews the final reports and accounts and the ensuing Report to those charged with Governance issued on behalf of the Northern Ireland Audit Office.

Various other committees, including the Finance Committee and the Lottery, Grants and Capital Committee, take lead responsibility for periodically monitoring and reporting on, expenditure activities of the Arts Council across both grants and core costs with detailed reviews of grant programme type and need forming part of future grant decisions, with reporting and 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 and features as a supplementary report to ensure the exclusion of those with a perceived conflict of interest from the decision making process on relevant grants.

## The risk and control framework

The Council had an Internal Audit Unit, provided by a shared internal post with Sports Council of Northern Ireland, which operated to standards defined in the Government Internal Audit Manual. In September 2008 DFP issued a report on their review of the internal audit provision for ACNI which identified a number of areas where arrangements could be enhanced to comply more fully with current best practice. ACNI have appointed new Internal Auditors from September 2008 and have implemented the recommendations noted in the report. 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 the Council's grant monitoring procedures have been reviewed and amended in line with current guidelines to incorporate a more systems-based approach to grant monitoring activities. The rollout of these revisions continues to be monitored and further improvements or adaptations are ongoing, with both internal finance and internal audit expertise being availed of. I have been assured by my senior managers that the procedures continue to be developed to incorporate more sophisticated aspects such as multiple application fraud detection in line with policy and financial directions.

In addition during 2008-2009 the Arts Council updated its Information Systems and Information Management processes. A new Information and I.T. Security Policy was developed, ensuring that staff are aware of best practice in how to protect the data and assets of the Arts Council.

During 2008-2009 the Information Commissioner announced that the approval of all current publication schemes would expire on 31 December 2008. The Information Commissioners Office has approved (under section 20 of the Act) a new model scheme which is suitable for every public authority to adopt with effect from 1 January 2009.

The Arts Council of Northern Ireland developed a new scheme which was published on its website during December 2008. The new scheme requires public bodies to publish a considerably more information proactively than previously was the case.

During 2008-2009 the Arts Council also developed an updated Document Disposal Schedule. This is a requirement of the Public Record Act and specifies how public bodies dispose of their documents. This document provides details on the structure of the filing systems within the Arts Council, which has been designed to reflect the Northern Ireland Civil Service File Plan.

The Document Disposal Schedule was approved by PRONI and DCAL in early 2009.

The framework is also guided by Best Practice in the areas of Whistleblowing and Fraud Risk Management. The Arts Council has in place a Whistleblowing Policy and an Anti-Fraud Policy both of which are in accordance with central government guidelines and best practice.

I have an unresolved issue concerning the payment by the Council of an element of employees' superannuation contributions to the Northern Ireland Local Government Officers Superannuation Committee. I am seeking professional advice with a view to resolving this issue as soon as possible.

## 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 senior managers within the Council who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Report to those charged with Governance and other reports. In addition, as noted above, the various Committees of the Board of the Arts Council report to the Board at its meetings on the functional areas falling within each Committee's terms of reference and the Board makes appropriate recommendations where necessary.



The Internal Audit work-plan for 2008-2009 has been completed. The Annual Statement of Assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate in accordance with best practice guidelines. A limited assurance was given in relation to aspects of the Council's works of art and purchasing procedures. Any outstanding recommendations will be incorporated into work plans for the incoming financial year.

In so far as the outcome of grant monitoring indicates, as supplemented by internal audit activity and internal financial controls, the Arts Council is not aware of any attempted incidents of grant or other fraud being perpetrated on the organisation during the financial year under review.

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 and the Audit Committee. A plan to address any weaknesses, implement internal audit and external audit recommendations, and ensure continuous improvement of the system is in place.

*Roisín McDonough*  
Accounting Officer for the Council

8 July 2009

# 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 2009 under the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998). These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses 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

The Council and Chief Executive as 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 by the National Lottery Act 1998) and 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 and the part of the remuneration report to be audited 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 by the National Lottery Act 1998) and Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport. I report to you whether, in my opinion, the information given in the Annual Report, which comprises the Directors' Report, Management Commentary and Remuneration Report, is consistent with the financial statements. 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.

In addition, I report to you if the Arts Council of Northern Ireland 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Arts Council of Northern Ireland's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Arts Council of Northern Ireland'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 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 opinions

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 Arts Council of Northern Ireland and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Arts Council of Northern Ireland Lottery Distribution Account'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.

## Opinions

### **Audit opinion**

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of 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 2009 and of its increase 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 by the National Lottery Act 1998) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport; and
- information given within the Annual Report, which comprises the Directors' Report, Management Commentary and Remuneration Report, is consistent with the financial statements.

### **Opinion on regularity**

In my opinion, 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.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

16 July 2009

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

## Income and Expenditure Account for the year ended 31 March 2009

	Notes	2008-2009 £	2007-2008 £
Proceeds from lottery ticket sales	2	<b>5,829,476</b>	5,611,026
Investment returns	2	<b>292,078</b>	466,038
Other Income	3	<b>142,774</b>	108,416
<b>Total Income</b>		<b><u>6,264,328</u></b>	<u>6,185,480</u>
New Grants made in year	11	<b>4,800,035</b>	8,070,984
Grants Decommited in year	11	<b>(438,590)</b>	(1,445,605)
Staff costs : Recharge	4	<b>674,513</b>	637,603
Depreciation	6	<b>358</b>	358
<i>Other operating costs</i>			
Direct Costs	5	<b>124,037</b>	173,038
Recharge	5	<b>325,564</b>	185,230
Transfer to 2012 Olympics	7	<b>303,718</b>	0
<b>Total expenditure</b>		<b><u>5,789,635</u></b>	<u>7,621,608</u>
<b>Increase/(decrease) in Funds</b>		<b><u>474,693</u></b>	<u>(1,436,128)</u>

## Statement of Recognised Gains and Losses

There were no recognised gains and losses relating to the year (2007-2008: nil).

*The notes on pages 20 to 29 form part of these financial statements.*

## Balance Sheet as at 31 March 2009

	Notes	2008-2009 £	2007-2008 £
<b>Fixed assets</b>			
Tangible assets	6	<u>210</u>	<u>568</u>
<b>Current assets</b>			
Investments - Balance held in NLDF	7	<b>15,309,776</b>	18,900,684
Debtors	8	<b>196,814</b>	178,493
Cash at bank and in hand		<u>189,312</u>	<u>406,993</u>
		<b>15,695,902</b>	19,486,170
<b>Creditors falling due within one year</b>			
Grant Hard Commitments	9	<b>(8,042,938)</b>	(10,683,205)
Creditors and Accruals	9	<u>(432,804)</u>	<u>(313,198)</u>
		<b>(8,475,742)</b>	(10,996,403)
<b>Net current assets</b>		<u><b>7,220,160</b></u>	<u>8,489,767</u>
<b>Total assets less current liabilities</b>		<b>7,220,370</b>	8,490,335
<b>Creditors falling due after one year</b>			
Grant Hard Commitments	10	<b>(2,389,193)</b>	(4,133,851)
<b>Total assets less total liabilities</b>		<u><b>4,831,177</b></u>	<u>4,356,484</u>
<b>Represented by</b>			
<i>Reserves</i>			
General reserve	13	<u><b>4,831,177</b></u>	<u>4,356,484</u>

*The notes on pages 20 to 29 form part of these financial statements.*

Roisín McDonough  
Accounting Officer for the Council

8 July 2009

## Cash Flow Statement for the year ended 31 March 2009

	2008-2009 £	2007-2008 £
<b>Operating activities</b>		
Funds received from NLDF	<b>9,712,462</b>	10,804,725
Cash receipts	<b>64,752</b>	15,637
Grants paid*	<b>(8,670,578)</b>	(10,809,308)
Cash paid to ACNI – Recharge staff time and administrative costs	<b>(929,414)</b>	(798,531)
Other cash payments	<b>(425,341)</b>	(164,488)
<b>Net Cash (outflow)/inflow from operating activities</b>	<b>(248,119)</b>	(951,965)
<b>Return on Investment and Servicing of Finance</b>		
Interest received	<b>30,438</b>	81,734
<b>Increase/(decrease) in cash</b>	<b>(217,681)</b>	(870,231)

\*The grants paid figure does not reconcile with the 'hard Commitments met in year' figure in note 11 as it also reflects cash movements in the grant debtors and creditors recorded in notes 8 and 9 respectively.

## Notes to Cash Flow Statement

### 1 Reconciliation of movement in funds to net cash inflow/(outflow) from operations

	2008-2009 £	2007-2008 £
Increase/(decrease) in Funds	<b>474,693</b>	(1,436,128)
Depreciation charges	<b>358</b>	358
Interest receivable	<b>(24,962)</b>	(92,779)
Decrease in NLDF Investment	<b>3,590,908</b>	4,727,661
Increase/(decrease) in Debtors excluding bank interest	<b>(23,797)</b>	551,544
Decrease in Creditors < 1 year	<b>(2,520,661)</b>	(4,525,058)
Decrease in Creditors > 1 year	<b>(1,744,658)</b>	(177,563)
Net Cash (Outflow)/Inflow from operating activities	<b>(248,119)</b>	(951,965)

### 2 Reconciliation of net cash flow to movement in funds

Net Funds at 1 April	<b>406,993</b>	1,277,224
Net Funds at 31 March	<b>189,312</b>	406,993
Increase/(decrease) in cash	<b>(217,681)</b>	(870,231)

The notes on pages 20 to 29 form part of these financial statements.

## Notes to the Accounts – 31 March 2009

### 1 Accounting policies

#### a Basis of accounting

These financial statements have been prepared in accordance with the Financial Reporting Manual and a form directed by the Secretary of State with the consent of DFP in accordance with Section 35(3) of the National Lottery etc 1993 and accounts direction given by the Department of Culture, Arts and Leisure (a copy of which can be obtained from ACNI).

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.

#### b Tangible fixed assets

The minimum level for capitalisation as an individual or grouped fixed asset is £1,000. Fixed assets have not been revalued as current levels of assets held are not deemed to be significant. 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. There have been no additions to the fixed asset register during the 2008-2009 year. Premises overheads incurred by the Arts Council of Northern Ireland have been recharged to Lottery and are included within the administration recharge.

The rates of depreciation in use are as follows

#### Information Technology

■ Hardware & Software	33.3 per cent
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■ LAN Cabling	10 per cent
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Furniture, Fixtures & Fittings	10 per cent
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#### 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 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.

*f 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.

*g Recharge of staff costs and apportionment of other operating costs*

Staff costs are incurred by the Arts Council of Northern Ireland and paid initially from Exchequer funds. An amount is then recharged monthly to cover the costs of staff working on Lottery grants. The average recharge amount was 33 per cent. In addition, temporary staff costs are recharged to Lottery on the basis of proportion of work performed on Lottery. Honoraria are recharged at a 25 per cent rate and are included in Salary Costs. Other Operating Costs recharged are based on an agreed profile of administrative cost types and at an average rate of 41.02 per cent per annum.

*h Transfer to 2012 Olympics*

It has been agreed with the Department for Culture, Media and Sport that the transfers to the Olympic Lottery Distribution Fund will take place quarterly over the years 2009-2010 to 2012-2013. The transfers are charged to the Arts Council of Northern Ireland Lottery Distribution Account in the year the transfer takes place.

**2 Proceeds from Lottery ticket sales and investment returns**

	<b>2008-2009</b>	2007-2008
	£	£
Proceeds from National Lottery ticket sales	<b>5,829,476</b>	5,611,026
Investment Income	<b>273,503</b>	424,456
Unrealised Gain on Investment	<b>18,575</b>	41,582
	<b><u>6,121,554</u></b>	<u>6,077,064</u>

**3 Other income**

	<b>2008-2009</b>	2007-2008
	£	£
Bank Interest	<b>24,962</b>	92,779
Other Income	<b>117,812</b>	15,637
	<b><u>142,774</u></b>	<u>108,416</u>

**4 Staff costs**

	<b>2008-2009</b>	Restated 2007-2008
	£	£
Salaries: Recharge	<b>489,894</b>	489,714
Social Security Costs	<b>32,877</b>	32,983
Other Pension Costs	<b>118,668</b>	64,836
Agency Costs	<b>33,074</b>	50,070
	<b><u>674,513</u></b>	<u>637,603</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 54 full-time equivalent staff (2007-2008: 55). Agency costs have been disclosed separately in line with FReM. Prior year figures have been restated for consistency.

#### *Pension contributions*

The NILGOSC Scheme is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2008-2009 the contribution rates were 16 per cent employers and 6 per cent employees (2007-2008: 15 per cent employers and 6 per cent employees).

#### *Chief Executive's remuneration*

The Chief Executive's remuneration, including backdated pay awards, during the year was £76,733 (2007-2008: £67,659). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £24,956 (2007-2008: £22,263) 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.

#### *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 total cost of honoraria paid in 2008-2009 was £14,082 (2007-2008: £12,189). This includes £582 of employer's National Insurance Contributions. £3,521 (2007-2008: £3,422) of this is included in the Staff Cost recharge above of £674,513.

The actual amounts received by the Chairman (including previous year's accrued amount) and Vice Chairman are detailed below

	<b>Chairman</b>	<b>Vice Chairman</b>
	<b>£</b>	<b>£</b>
R Kelly	11,500	
D Coyle		3,500

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 pension note below.

#### *Pension commitments*

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 63 (2007-2008: 61) employees during the year (not all 63 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 2009 the Arts Council contributed 16 per cent (2007-2008: 15 per cent) of gross salary.

It is now possible to define ACNI's share of the funds, assets/liabilities and as a result the following disclosures are provided in line with FRS 17.

The latest actuarial valuation of the scheme was carried out at 31 March 2009. The financial assumptions used by the actuary were

<b>Main assumptions</b>	<b>2009</b>	2008	2007
Inflation/pension increase rate	<b>3.1%</b>	3.6%	3.2%
Salary increase rate	<b>4.6%</b>	5.1%	4.7%
Expected return on assets	<b>6.5%</b>	3.6%	3.2%
Discount rate	<b>6.9%</b>	6.9%(3.2%)	5.4% (2.1%)

The market value of the Arts Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2009 was £5.372m (2007-2008: £6.982m) and the present value of the Council's share of the scheme liabilities was £7.432m (2007-2008: £7.617m). The Council's share of the Scheme recorded net pension liabilities of £2,060,000 at 31 March 2009 (31 March 2008 £635,000). 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 £118,668 (2007-2008: £64,836).

## 5 Other operating costs

	Total £	Direct £	Recharge £	2007-2008 £
ACNI administration apportionment	325,564	0	325,564	181,467
NI Screen administration	44,583	44,583	0	78,391
Awards for all administration	46,688	46,688	0	49,552
Audit fees	23,000	23,000	0	19,840
External monitoring	9,380	9,380	0	25,255
Printing and design	356	356	0	0
Travel	0	0	0	3,763
Research/reports	0	0	0	0
Sundries	30	30	0	0
	<b>449,601</b>	<b>124,037</b>	<b>325,564</b>	<b>358,268</b>

Of the total operating expenses of £449,601, an amount of £325,564 (2007-2008: £185,230) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £325,564 (2007-2008: £181,467) 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.

The total audit fees of £23,000 (2007-2008: £19,840) represents the external audit fee charged by the National Audit Office.

**6 Tangible fixed assets**

	IT Hardware £	Furniture and Fittings £	Total £
<b>Cost</b>			
At 1 April	8,316	3,582	11,898
Additions	0	0	0
Disposals /Write-offs	0	0	0
At 31 March	<u>8,316</u>	<u>3,582</u>	<u>11,898</u>
<b>Depreciation</b>			
At 1 April	8,316	3,014	11,330
Charge for year	0	358	358
Disposals/Write-offs	0	0	0
At 31 March	<u>8,316</u>	<u>3,372</u>	<u>11,688</u>
<b>Book value at 31 March 2009</b>	<u><b>0</b></u>	<u><b>210</b></u>	<u><b>210</b></u>
Book value at 31 March 2008	<u>0</u>	<u>568</u>	<u>568</u>

**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 1996-1997 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.

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 £1,085m 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 £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675m arising from the subsequent budget review. ACNI was committed to contribute up to £1.989m in the original bid and this order allows for the transfer of up to a further £2.525m. The first transfer of funds took place on the 1 February 2009 when ACNI contributed £303,718.

The closing market value of investments held at 31 March 2009 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £15,309,776 (2007-2008: £18,900,684). The cost value of these investments was £15,291,200 (2007-2008: £18,859,101).

	<b>2008-2009</b> £	2007-2008 £
<b>Balances in NLDF</b>		
Proceeds from Lottery	<b>5,829,476</b>	5,611,026
Investment income	<b>273,503</b>	424,456
Drawn down in year by Arts Council	<b>(9,408,744)</b>	(10,804,725)
Transfer to 2012 Olympics	<b>(303,718)</b>	0
Total decrease in funds	<b>(3,609,483)</b>	(4,769,243)
Unrealised Gain/(loss) on investment	<b>18,575</b>	41,582
Balance as at 1 April	<b>18,900,684</b>	23,628,345
Balance as at 31 March	<b>15,309,776</b>	18,900,684

**8a Debtors**

	<b>2008-2009</b>	2007-2008
	£	£
Bank interest	<b>5,569</b>	11,045
Prepayments and accrued income	<b>191,245</b>	167,448
	<b>196,814</b>	178,493

**8b Debtors – Intra-Government balances**

	<b>2008-2009</b>	2007-2008
	£	£
Central Government	<b>0</b>	25,214
Local authorities	<b>53,061</b>	0
Other public bodies	<b>143,753</b>	149,303
Intra government debtors	<b>196,814</b>	174,517
Bodies External to government	<b>0</b>	3,976
	<b>196,814</b>	178,493

**9a Creditor amounts due within one year**

	<b>2008-2009</b>	2007-2008
	£	£
Trade and other creditors	<b>0</b>	55,733
Grant creditors (Note 11)	<b>8,042,938</b>	10,683,205
Accruals and deferred income	<b>432,804</b>	257,465
	<b>8,475,742</b>	10,996,403

**9b Creditor amounts due within one year – Intra-Government Balances**

	<b>2008-2009</b>	Restated 2007-2008
	£	£
Central Government	<b>224,035</b>	169,428
Local authorities	<b>2,195,677</b>	3,084,269
Other public bodies	<b>800,100</b>	1,851,522
Intra government creditors	<b>3,219,812</b>	5,105,219
Bodies external to government	<b>5,255,930</b>	5,891,184
	<b>8,475,742</b>	10,996,403

2007-2008 figures have been restated to separately disclose Central Government creditors in line with the FRoM.

Creditors includes £179,534 (2007-2008: £84,360) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

**10a Creditor amounts due after more than one year**

	<b>2008-2009</b>	2007-2008
	£	£
Grant creditors (Note 11)	<b>2,389,193</b>	4,133,851
	<b>2,389,193</b>	4,133,851

**10b Creditor amounts due after more than one year – Intra-Government balances**

	<b>2008-2009</b>	2007-2008
	£	£
Central Government	<b>0</b>	0
Local authorities	<b>0</b>	1,028,787
Other public bodies	<b>0</b>	192,226
Intra government creditors	<b>0</b>	1,221,013
Bodies external to government	<b>2,389,193</b>	2,912,838
	<b>2,389,193</b>	4,133,851

**11 Grant commitments**

	<b>2008-2009</b>	2007-2008
	£	£
<b>Soft commitments</b>		
a Soft commitments brought forward	<b>87,000</b>	4,289,527
b Soft commitments transferred to hard commitments	<b>(4,800,035)</b>	(8,070,984)
c Soft de-commitments	<b>(38,780)</b>	(140,936)
d Soft commitments made in year	<b>5,087,221</b>	4,009,393
e Soft commitments carried forward	<b>335,406</b>	87,000
<b>Hard commitments</b>		
a Hard commitments brought forward	<b>14,817,056</b>	19,209,752
b Hard commitments met in year	<b>(8,746,370)</b>	(11,018,075)
c Hard de-commitments	<b>(438,590)</b>	(1,445,605)
d Hard commitments made	<b>4,800,035</b>	8,070,984
e Hard commitments carried forward	<b>10,432,131</b>	14,817,056

## Profile of Hard Commitments over the next five years

Amounts falling due during 2008-2009	<b>0</b>	10,683,205
Amounts falling due during 2009-2010	<b>8,042,938</b>	2,733,851
Amounts falling due during 2010-2011	<b>2,070,993</b>	1,160,000
Amounts falling due during 2011-2012	<b>318,200</b>	240,000
Amounts falling due during 2012-2013	<b>0</b>	0
Amounts falling due during 2013-2014	<b>0</b>	0
	<b>10,432,131</b>	14,817,056
Total grant commitments carried forward		
Soft	<b>335,406</b>	87,000
Hard	<b>10,432,131</b>	14,817,056
	<b>10,767,537</b>	14,904,056

## 12 Public/private grant payment analysis

During the financial year 2008-2009, in accordance with the requirements of FReM section 7.4.39, grants paid according to the following definitions were

	2008-2009 £	2007-2008 £
Central Government	0	0
Local authorities	1,884,108	2,690,792
Other public bodies	1,198,222	1,740,413
Intra government payments	3,082,330	4,431,205
Payments to bodies external to government	5,664,040	6,586,870
<b>Total payments (Note 11)</b>	<b>8,746,370</b>	<b>11,018,075</b>

## 13 General reserve

	2008-2009 £	2007-2008 £
Balance at 1 April	4,356,484	5,792,612
Increase/(decrease) in Funds	474,693	(1,436,128)
Balance at 31 March	4,831,177	4,356,484

## 14 Capital commitments

There were no capital commitments as at 31 March 2009 (2007-2008 – nil).

## 15 Contingent liabilities

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 £1,085m 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 £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675m arising from the subsequent budget review. ACNI was committed to contribute up to £1.989m in the original bid and this order allows for the transfer of up to a further £2.525m. The first transfer of funds took place on the 1 February 2009 when ACNI contributed £303,718. The Arts Council is therefore committed to pay the balance of £4.21m over the years 2009-2010 to 2012-2013. It has been agreed with the Department for Culture, Media and Sport that the transfers will take place quarterly.

## 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. During the year the Council has 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 the Department of Culture, Media and Sport (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 Account is also regarded as a related party to this account. At 31 March 2009 a net amount of £179,534 (2007-2008: £79,921) was owed by the National Lottery Distribution Account in respect of salary and other administrative costs incurred.

Several members of the Board of the Arts Council, its Lottery, Grants and Capital 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 Board members and staff of the Arts Council.

<b>Grant reference</b>	<b>Organisation name</b>	<b>Grant amount</b>	<b>Declared interest</b>
ACNI/3049	ArtsEkta	£40,000	Debbie Young, Janine Walker
ACNI/2992	Belfast Philharmonic Society	£16,103	Diane Forsythe
ACNI/3678	Down Community Arts Ltd	£28,385	Damien Coyle, Janine Walker
ACNI/3638	Fringe Performances Ltd	£20,000	Sharon O'Connor
ACNI/3072	Golden Thread Gallery	£34,540	Paul Seawright
ACNI/3684	Ireland Literature Exchange	£29,500	Joe Rice, Tony Kennedy
ACNI/3698	Kabosh Theatre Ltd	£45,000	Damien Coyle
ACNI/3081	Moving on Music	£23,532	David Irvine
ACNI/3695	Old Museum Arts Centre	£45,000	Damien Coyle
ACNI/3109	Old Museum Arts Centre	£16,000	Kate Bond
ACNI/4274	Old Museum Arts Centre	£50,000	Paul Seawright, Rosemary Kelly
ACNI/3043	Omagh District Council	£50,000	Damien Coyle
ACNI/2947	Royal Ulster Academy	£19,600	Paul Seawright
ACNI/3629	Spanner In The Works	£19,000	Janine Walker
ACNI/3065	Ulster Orchestra Society Ltd	£86,860	Raymond Fullerton
ACNI/3084	Verbal Arts Centre	£50,000	Damian Smyth
ACNI/3626	Verbal Arts Centre	£32,000	Damian Smyth
<b>Awards for all</b>	ArtsEkta	£10,000	Debbie Young
	Camerata Ireland Ltd	£10,000	Bill Montgomery

## 17 Derivatives and other Financial Instruments

FRS 26 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 2008-2009, £5.8m or 93.06 per cent (2007-2008: 90.71 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, £292,000 or 4.66 per cent (2007-2008: 7.53 per cent), and from Bank Interest and Sundry Income, £142,000 or 2.28 per cent (2007-2008: 1.75 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 £15.5m to cover all current contracted commitments of £10.4m.

*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 £15.3m. In the year the rate of return declared by NLDF was 3.719 per cent per annum, with the average return on these investments being 1.68 per cent (2007-2008: 2.11 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 3.23 per cent (2007-2008 Restated: 5.55 per cent) in the year. The cash balance at the year-end was £189,312 (2007-2008: £406,993). 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.

**18 Post balance sheet events**

There were no post balance sheet events.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 16 July 2009.



## 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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