

Arts Council of Northern Ireland Lottery Distribution Account 2012-13

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

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Contents

	Page
Annual Report:	
– Directors’ Report	2
– Management Commentary	6
– Sustainability Report	8
– Remuneration Report	9
Statement of the Arts Council’s and Accounting Officer’s responsibilities	14
Governance Statement	15
Certificate and Report of the Comptroller and Auditor General	22
Statement of Comprehensive Net Income	24
Statement of Financial Position	25
Statement of Cash Flows	26
Statement of Changes in Equity	27
Notes to the Accounts	28
Appendix A – Lottery Policy Directions	42

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 (eleven from 18 December 2012 to 31 March 2013). 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 by ACNI 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 2013 is shown below.

Board: 1 April 2012 to 31 March 2013

Mr Bob Collins (Chairman)
 Mr Damien Coyle (Vice Chairman)
 Mr David Alderdice
 Ms Anna Carragher
 Mr David Irvine Until 17 December 2012 (Deceased)
 Ms Noelle McAlinden
 Ms Katherine McCloskey
 Prof Ian Montgomery
 Mr Paul Mullan
 Prof Paul Seawright
 Mr Brian Sore
 Ms Janine Walker

The members of the Audit & Risk Committee until 31 March 2013 were:

Mr David Irvine (Chairman) Until 17 December 2012 (Deceased)
 Ms Anna Carragher From 1 December 2012 New Chair from 27 March 2013
 Ms Katherine McCloskey
 Mr Paul Mullan
 Ms Janine Walker

In the absence of a Chairman another Board member deputised until the new Chair was appointed on 27 March 2013.

The members of the Lottery and Grants Committee until 31 March 2013 were:

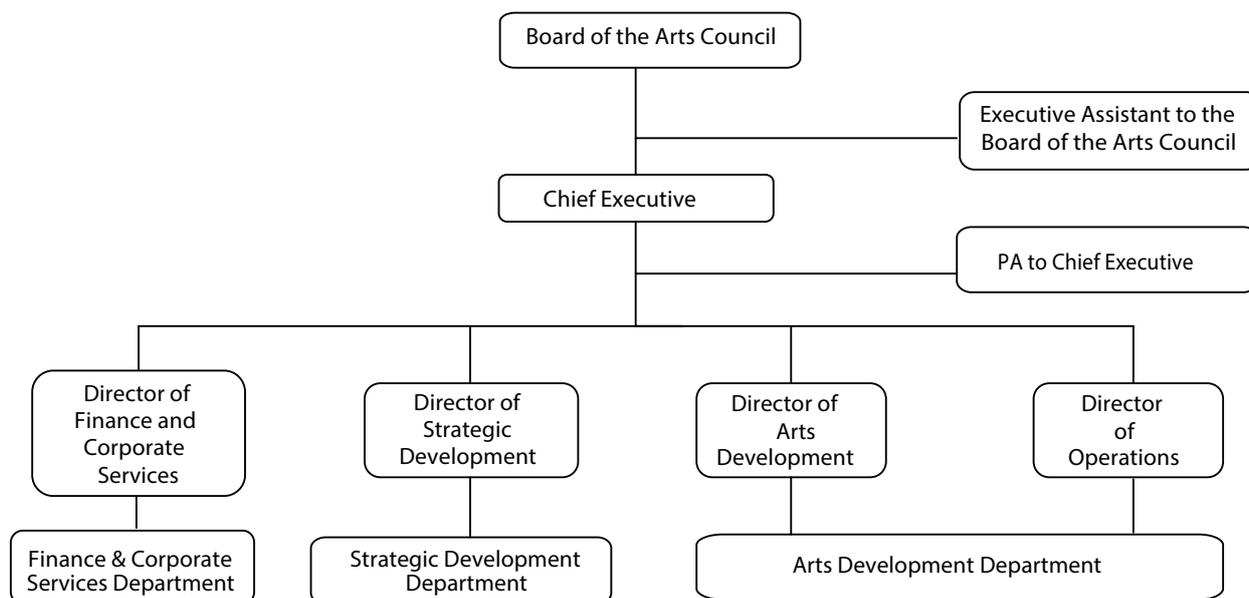
- Mr Damien Coyle (Chairman)
- Ms Katherine McCloskey
- Mr Paul Mullan
- Prof Paul Seawright
- Ms Janine Walker

The members of the Finance & Capital Committee until 31 March 2013 were:

- Mr Brian Sore (Chairman)
- Mr Damien Coyle
- Prof Ian Montgomery

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.

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 (2011-12: £27,000).

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 £119,273 (2011-12: £126,584).

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 2013 was £10.012 million (31 March 2012: £8.611 million) and the present value of the Council's share of the scheme liabilities was £13,765 million (31 March 2012: £11.675 million). The Council's share of the Scheme recorded net pension liabilities at 31 March 2013 was £3.753 million (31 March 2012: £3.065 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 95 per cent of the bills were paid within this standard. The comparative figure for 2011-12 was 97 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 (2011-12: 100 per cent) of the bills were paid within 30 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 committed to equality of opportunity between persons of different religious belief, political opinion, gender, marital status, disability, ethnic origin, age, dependants, sexual orientation or Trade Union membership. The Council has implemented equality legislation and codes of practice to ensure that procedures and policies are fair and lawful. The Council actively encourages this within its client/partner network.

Management Commentary

Principal Risks

Details on managing the Arts Council's risk can be found in the Governance Statement. 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 £10,734,250 (2011-12: £8,591,823). During the year the Arts Council made net hard commitments of £7,717,756 (2011-12: £5,251,489) to applicants, contributed £565,831 (2011-12: £1,214,872) to the Olympic Lottery Distribution Fund and contributed £150,000 (2011-12: £150,000) for Cross Border Touring as well as £108,000 (2011-12: Nil) to Culture for All. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,269,810 (2011-12: £1,209,941).

Review of National Lottery distribution activities

During the 2012-13 year, 653 (2011-12: 949) applications were received by the Arts Council seeking grants of £11,886,902 (2011-12: £13,296,726) across the main Lottery programmes. By the end of the year 325 (2011-12: 420) grants had been awarded through the main programmes, receiving a total of £8,251,638 (2011-12: £7,807,650). NI Screen made 80 (2011-12: 80) awards totalling £791,104 (2011-12: £630,300) under its 3-year delegation agreement with the Arts Council. Therefore in aggregate awards were made in year totalling £9,042,742 (2011-12: £8,437,950).

Equity at the year end

At the 31 March 2013 the Lottery Distribution Account showed net income of £922,853 (31 March 2012: net income of £765,521). At the 31 March 2013 the total equity showed a surplus of £1,578,642 (31 March 2012: surplus of £654,189).

Comment on NLDF Balance Policy

As at the 31 March 2013, Arts Council Lottery Account balances at NLDF totalled £5.2 million (31 March 2012: £4.7 million), an increase of £0.5 million or 11 per cent on the prior year.

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 £3.8 million. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £5.4 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 and approved by the Board on 5 September 2012. The objective of this policy is to achieve a breakeven position by the end of the current licence.

Sickness Absence

The number of sick days reported in 2012-13 was 470 (2011-12: 606). This equates to an average lost working days per employee of 8.2 days (2011-12: 10.4 days), in comparison to the Northern Ireland Civil Service Target of 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.

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 £5.4 million as well as forecasted NLDF income to cover all current contracted commitments of £3.8 million. The forecasted NLDF income is based on quarterly projections received from DCMS. Current projections are to 2014-15.

2012-13 National Lottery Distribution Activities

During 2012-13 the Council launched its joint initiative – *Culture for All* – with the Big Lottery Fund. This programme offers grants of up to £10,000 to community organisations wishing to celebrate the UK City of Culture 2013 in Derry – Londonderry.

Final confirmation of Peace III funding was received which enabled the Council to move forward with recruitment of staff and launch in February 2013 of the new *Building Peace through the Arts – Re-Imaging Communities*. It is envisaged that the first grants under the new programme will be made in June 2013.

This year the Arts Council introduced a new strategy and investment package to encourage greater engagement with minority ethnic communities living in Northern Ireland. The Intercultural Arts Strategy reinforces the commitment of the arts sector to promoting cultural pluralism, developing good relations and tackling racism within and between communities and their cultures. The first grants under the programme were made in November 2012.

The Council was also able to make one of its largest ever revenue grants of £1 million to Derry City Council towards the UK City of Culture 2013 in support of a range of arts programmes.

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.

The Council will also actively seek funding to enable it to continue to support its successful *Arts & Older People Programme*.

The Council will seek to implement elements of its new five-year strategy through a range of new programmes to:

- increase touring opportunities for arts organisations;
- address issues of mental health and well-being, particularly amongst young people;
- introduce a creative apprenticeship programme, and
- develop, in partnership with Belfast City Council, a programme of arts activity through city-wide targeting of deprived communities and wards.

Sustainability Report

The Council is committed to ensuring that sustainable development becomes an integral part of our business. We are committed to ensure that future generations enjoy the opportunity to visit arts venues in well-designed buildings.

Our sustainable actions include:

- sustainable development: Sustainable development is a guiding principle of the Architecture and Build policy published by DCAL in 2006. Consistent with this policy our Capital programmes complied with the Government's Achieving Excellence in Construction Initiative which promoted design quality and sustainability in construction, while achieving best value of money;
- reducing our waste and increasing recycling levels; and
- reducing our contribution to climate change in terms of energy consumption and related CO₂ emissions.

Remuneration Report

Remuneration Policy

The Arts Council 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:

Mr Damien Coyle (Chairman – from 27 March 2013)
Mr Bob Collins
Ms Katherine McCloskey
Mr Brian Sore

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 <http://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 2012-13. The Minister approved a freeze on senior pay in respect of 2010-11, 2011-12 and 2012-13 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 assessing the Chief Executive's performance and making recommendations on achievement to DCAL. The Chief Executive has a staff appraisal with the Chairman on the basis of objectives set the previous year in consultation with DCAL. The appraisal meeting also includes discussion of objectives for the incoming year. These are further discussed by the Chairman with DCAL. Subsequent proposed objectives approved by the Remuneration Committee 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. Staff are appointed on Northern Ireland Civil Service pay scales.

All staff costs are incurred by the Arts Council of Northern Ireland and an appropriate amount is 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

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 retirement age. The Chief Executive (Roisin McDonough) was appointed on 16 October 2000. This position is permanent within the definition above as are the executive director positions.

Salary, Bonus, Benefit-in-kind and Pension Entitlements – Senior Staff (Audited Information)

	2012-13			2011-12		
	Salary £000	Bonus Payments £000	Benefit in kind £000	Salary £000	Bonus Payments £000	Benefit in kind £000
Officials						
R McDonough (Chief Executive)	75–80	–	–	70–75	–	–
N McKinney (Director of Arts Development)	50–55	–	–	50–55	–	–
G Troughton (Director of Finance and Corporate Services)	45–50	–	–	40–45	–	–
N Livingston (Director of Strategic Development)	50–55	–	–	50–55	–	–
L McDowell (Director of Operations)	50–55	–	–	45–50	–	–
Band of Highest Paid Director's Total Remuneration	75–80			70–75		
Median Total Remuneration	27,728			27,115		
Ratio	2.8			2.5		

Salary

'Salary' includes gross salary, overtime, allowances 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 (Audited Information)

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 2012-13 was £13,848 (2011 12: £12,250) as shown in wages and salaries. This includes £348 of employer's National Insurance Contributions. The amounts received by the Chairman and Vice-Chairman are detailed below:

	Chairman £	Vice- Chairman £
B Collins	10,348	
D Coyle		3,500

Of the total cost of honoraria £5,955 (2011-12: £5,145) 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 2012-13 (2011-12: £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 median remuneration of the staff is the total remuneration of the staff member(s) lying in the middle of the linear distribution of the total staff, excluding the highest paid director. This is based on annualised, full-time equivalent (FTE) remuneration as at the reporting period date.

Total remuneration includes salary, performance pay and bonuses. It does not include employer pension contributions and the cash equivalent transfer value of pensions. Total remuneration is calculated on an annualised basis to remove any fluctuations caused by employee turnover, which do not reflect changes in pay policy.

The FTE measurement of staff is specified to ensure a level of comparability that would otherwise be distorted, if a member of staff represented a whole unit, irrespective of the hours worked.

The ratio is calculated as follows:

Midpoint in highest paid director's pay band.

Median remuneration of Council's staff.

Pension Entitlements (Audited Information)

	Accrued pension at aged 65 as at 31 March 2013 and related lump sum £000	Real increase in pension at age 65 and related lump sum £000	CETV at 31 March 2013 £000	CETV 31 March 2013 £000	Real increase in CETV £000
R McDonough	25-30 plus lump sum of 70-75	0-2.5 plus lump sum of (0-2.5)	659	645	0
N McKinney	15-20 Plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	310	283	21
G Troughton	5-10 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	82	68	13
N Livingston	20-25 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	429	390	30
L McDowell	20-25 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	429	392	31

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.

For any membership accrued before 1 April 2009 benefits will accrue at a rate of 1/80th of the employee's final year pensionable pay and an automatic tax free lump sum of three times their pension. For all membership from 1 April 2009 benefits accrue at a rate of 1/60th of final pensionable pay for each year of service but with no automatic lump sum (members can choose to give up some of their pension to provide a lump sum). Additional Voluntary Contributions (AVC) can be paid through the NILGOSC in-house AVC provider, Prudential.

Pensions increase in payment in line with the Retail Prices Index. On 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.

Members pay contributions of between 5.5 per cent and 7.5 per cent of pensionable earnings. For 2012-13 the rates were as follows:

Band	Range	Contribution Rate
1	Up to £13,500	5.5%
2	£13,501 to £15,800	5.8%
3	£15,801 to £20,400	5.9%
4	£20,401 to £34,000	6.5%
5	£34,001 to £45,500	6.8%
6	£45,501 to £85,300	7.2%
7	More than £85,300	7.5%

During the year the Arts Council made contributions for 65 (2011-12: 64) employees (not all 65 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 2013 the Arts Council contributed 19 per cent (2011-12: 18 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 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.

Exit Packages

No executive directors of the Arts Council received any compensation for loss of office during the year.

Roisín McDonough
Accounting Officer

1 October 2013

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

1 October 2013

Governance Statement

Scope of responsibility

As Accounting Officer I am responsible for ensuring that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. In discharging this overall responsibility, I am responsible for putting in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

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 the Department of Culture, Arts and Leisure (DCAL).

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in 2012-13 financial year.

Compliance with Corporate Governance Code

The Corporate Governance Code for Central Government issued by HM Treasury does not directly apply to the Arts Council. However, the arrangements in place at the Arts Council reflect good practice and the Arts Council has complied with the code, insofar as it is relevant to the circumstances of the Arts Council. There are no departures in the 2012-13 financial year from the application of these principles.

Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the arts sector. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework. 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 on-going 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 the Arts Council of Northern Ireland for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Board membership

The Arts Council of Northern Ireland (ACNI) is vested in and administered by a body corporate known as the Board of ACNI, consisting of a Chair, Vice-Chair and members appointed by the DCAL Minister, as set out in the Arts Council (Northern Ireland) Order 1995.

I am supported by the Board of ACNI. The Chair 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 held 13 meetings during the year to determine policy for ACNI and make decisions in line with that policy. These meetings are held in my presence and that of my colleagues in senior management who produce papers and information to assist Board decision making. In February 2013, CIPFA facilitated a meeting of the Board to consider its effectiveness. The Board has assessed its own effectiveness and considers its performance as good.

Following its review of effectiveness the Board will be reviewing, in the incoming year, its scheme of delegation, committee structure, standing orders and schedule of reserved powers.

The Board has a rolling work-plan and achieved its objectives, which were set out during the year. All Board meetings held in 2012-13 were quorate. The overall average attendance rate of Members was 76 per cent. No Member attended less than 54 per cent of Board meetings.

Attendance at Board Meetings 2012-13

	Business meetings		NS Plenary* Strategy**		Training***		Total	% Attend	
	Full	Part	1	1	am	pm			
David Alderdice	10	0	10	1	1	0	0	12	92
Anna Carragher	8	0	8	0	1	0	0	9	69
Bob Collins	10	0	10	1	1	1	1	13	100
Damien Coyle	6	0	6	0	1	0	0	7	54
David Irvine #	4	0	4	0	1	0	0	5	33
Noelle McAlinden	9	0	9	1	1	1	1	12	92
Katherine McCloskey	7	0	7	1	1	1	1	10	77
Ian Montgomery	7	0	7	0	1	1	0	9	69
Paul Mullan	8	0	8	1	1	1	1	11	85
Paul Seawright	4	0	4	1	1	1	0	7	54
Brian Sore	10	0	10	0	1	1	1	12	92
Janine Walker	6	0	6	1	1	1	1	9	69

* North South Plenary Meeting

** Strategy Away Day

*** Training Away Day

David Irvine – Member until 17 December 2012 (deceased)

Attendance at Committee Meetings 2012-13

	Audit and Risk		Finance and Capital		Remun****		Lottery and Grants		Total	Possible Meetings	% Attend
	5	%	4	%	1	%	2	%			
David Alderdice									0		
Anna Carragher	1	50							1	2	50
Bob Collins					1	100			1	1	100
Damien Coyle			3	75	1	100	2	100	6	7	86
David Irvine #	3	75							3	5	60
Noelle McAlinden									0		
Katherine McCloskey	5	100			1	100	1	50	7	7	100
Ian Montgomery			0	0					0		
Paul Mullan	3	60					2	100	5	7	71
Paul Seawright							1	50	1	2	50
Brian Sore			4	100	1	100			5	5	100
Janine Walker	3	60					1	50	4	6	67

**** Remuneration Committee

David Irvine – Member until 17 December 2012 (deceased)

Members of the Board have delegated some of their tasks to four sub-committees – Audit and Risk, Finance and Capital, Remuneration and Lottery and Grants. These committees oversee the activities of management and provide support. The minutes of committee meetings are standing items on the agenda of Board meetings and the committee chairs provide full report on their activities.

Audit and Risk Committee

The Audit and Risk Committee comprises four Members and is chaired by a Member. It met five times during the year and was quorate on each occasion. I attend each meeting along with the Director of Finance and Corporate Services. The Audit and Risk Committee has a rolling work-plan and measures its performance by the achievement of its objectives.

Its terms of reference include supporting the Board and Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs, and by reviewing the reliability and integrity of these assurances; the activities of the internal and external auditors and overseeing the risk culture of ACNI; and also reviewing its own effectiveness, constitution and terms of references and reporting the results of that review to the Board.

During the year the Chairman of the Audit and Risk Committee and the Director of Finance and Corporate Services reviewed its operation in line with the Audit Committee Checklist, produced by the National Audit Office. The Committee reviewed the completed checklist and were satisfied that they were operating in line with its recommendations. It reviewed the letter of appointment of committee members and approved training for new members.

The Committee makes regular reports to the Board. Board Members are satisfied that the Committee is providing them with assurance.

Other committees

The Finance and Capital Committee comprises three Members and one co-opted Member, and is chaired by a Member. Two of my directors also attend each meeting. This Committee met four times during the year and was quorate on each occasion.

Its terms of reference cover the proposal to the Board for the annual budget of the Council; ensuring comprehensive financial advice is provided to the Board; reviewing the detailed information relating to the financial resources including the Statement of Comprehensive Net Income, Statement of Financial Position and cash flow statements; monitoring financial expenditure against targets set throughout the year making recommendations as necessary; reviewing the programmes, policies and procedures relating to the payment of capital grants and where appropriate, to propose changes to the above for Board approval; and to advise on policy and the strategic deployment of capital resources.

The Remuneration Committee comprises four Members and is chaired by a Member. It met once during the year and was quorate. Its terms of reference include assessing and agreeing targets, standards of performance, goals and objectives in respect of the Chief Executive. In consultation with the Department it sets the remuneration terms related to the performance of the Chief Executive, giving due weight to the proper management and use of public monies. It monitors the performance of the Chief Executive within the terms and conditions of the contract of employment. It agrees the policy for authorising claims for expenses from the Chief Executive and Chairman. It reviews its own performance, constitution and Terms of Reference annually to ensure it is operating at maximum effect and recommend any changes considered necessary to the Board for approval.

During the year the Remuneration Committee reviewed the performance of the Chief Executive and her remuneration terms.

The Lottery and Grants Committee comprises five Members and is chaired by a Member. It met two times during the year and was quorate on each occasion. I attend each meeting along with two other Directors.

Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer and Lottery grants, and where appropriate, propose changes to the above for approval by the Board; to take decisions on grant aid within delegated financial limits set by the Board; to advise on policy and strategy relating to arts funding and the strategic allocation of Council's grant resources; to advise on the changing policy environment of Lottery and Exchequer funding; to advise on National Lottery Distribution Fund (NLDF) balance policy matters; to recommend to the Board the Council's bids for Monitoring Round funding.

The Board has delegated its grant-decision-making for grants under £25,000 to staff. All decisions made by staff and committees are reported to the Board. During the year the Lottery and Grants Committee reviewed the progress on capital projects and the award of grants.

Business planning, risk management

Each year of the five year strategic plan, amplified as necessary, forms the basis of the business plan for the forthcoming year. The business plan included key performance indicators, milestones and targets linked to the Programme for Government and Public Service Agreements for the forthcoming year. It is also linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Department. The five-year strategy and annual business plan takes into account the Minister's priorities and is framed in that context.

The draft business plan is submitted to the Department as early as possible, but no later than 31 January each year. The Arts Council's plans are submitted to the Department for approval and include measures of performance and annual targets in respect of each of those measures and the proposed annual efficiency. Progress against targets is reported quarterly to the Board and bi-annually to DCAL's governance and accountability meetings.

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.

On an annual basis, risks are categorised by considering the likelihood of occurrence should no risk-mitigation activity occur and the impact should the risk happen. The risks where the potential impact is deemed high are detailed in the ACNI risk register. The risk register forms part of the annual business plan of the Board, having been previously endorsed by the Audit Committee. The Senior Management Team assigns to managers (the 'risk owners') the task of putting procedures in place to monitor and, where possible, mitigate the risk.

The Audit and Risk Committee has lead responsibility for the periodic review of the risk register. The Arts Council consider the following to be the most significant areas of risk:

- impact of economic downturn on arts organisations could result in a potential loss of frontline services;
- reduction in DCAL/National Lottery funding of the arts could result in a potential loss of frontline services;
- fraudulent activity within client organisation could result in a loss of public funds; and
- ACNI's five-year strategy may be found to be inappropriate resulting in a loss of confidence by DCAL in ACNI's ability to contribute to the Programme for Government.

In 2011 DCAL completed an ALB sponsorship risk assessment for ACNI. The overall rating assigned to the Arts Council by that process was Medium/Low.

Fraud risk and information risk

ACNI has a fraud policy that is reviewed on an annual basis. It is given to all new staff at their induction, and they all receive a one-day training session on fraud awareness. ACNI also has an information risk policy to be followed by all staff, which new staff read as part of their induction. The policy requires all data to be held securely. ACNI is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

The Arts Council maintains a register of related party transactions for Board Members and all staff in order to ensure that opportunities for conflict of interest are avoided. The register is maintained centrally and is 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.

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 on how to protect the data and assets held by the organisation.

Data incidents

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

Governance and accountability within ACNI

The annual internal audit plan is created on a risk basis; KPMG our internal auditors were provided with a copy of the draft risk register for 2012 when preparing their plan. The Audit and Risk Committee reviewed and approved the internal audit plan. I ensured that there was sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment and the emergence of new risks. However, there were none.

All reports of the internal auditors were discussed by the Audit Committee with senior members of staff in attendance, including those whose departments were reported upon by the auditors. This gave me and members of the committee the opportunity to discuss, in detail, the findings, recommendations and proposed management actions. Directors that had failings identified by the internal auditors were required to devise corrective action and set a completion date for that action in consultation with the internal auditors. I receive regular reports from the auditors notifying me of the progress my Department Directors have achieved in clearing up points raised by both internal and external auditors in previous years.

Sources of independent assurance

KPMG is the Internal Auditor for ACNI. KPMG issued an internal audit assurance statement to the Audit committee of the Arts Council of Northern Ireland in respect of the year ended 31 March 2013. The internal audit assurance statement stated that on the basis of work performed during the year, KPMG can conclude that ACNI has established procedures that are adequate to meet management's control objectives in the systems audited and consequently KPMG provided a satisfactory level of assurance over the control environment at the organisation.

The Comptroller and Auditor General certifies the accounts and provides an opinion whether, in all material respects, the expenditure and income have been applied to the purposes intended by the National Lottery Distribution Act 1993 (as amended) and the financial transactions conform to the authorities which govern the Council.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within ACNI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within ACNI. In addition, I consider Reports to those charged with Governance prepared and issued by the external auditors. 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 and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

The Senior Management Team reviews the effectiveness of their work on a quarterly basis. The Audit and Risk Committee also reviews effectiveness at each meeting and questions the activities of risk owners. Furthermore, our internal audit function reviews the risk-management processes as part of its work and can provide the benefit of its experience of other organisations' risk-management activities.

Policy papers put to the Board for decision all contain a discussion of the risks associated with taking the possible courses of actions. The Board also regularly discusses the risks on the risk register with the risk owners. The Board has considered the quality of data used by the Board across all business areas and finds the information provided by management suitable for the purposes of making effective decisions.

Internal Governance Divergences – current and new for 2012-13

Update on prior year control issues which have been resolved and are no longer considered to be control issues

Two prior year internal audit reports highlighted issues in relation to procurement and the retention of documentation for capital projects, which have been resolved and are no longer control issues in 2012-13.

Update on prior year control issues, which are considered to be control issues

Internal audit had one prior year issue shown in the end of year review. It is management's view the matter is now closed however management action will not be reviewed by internal audit until later in the financial year. Internal Audit noted instances of related items procured separately within 2012-13 from the same supplier. Audit recommendation was that cumulative values of related expenditure should be kept under review. A report on cumulative values of related expenditure was reviewed at an internal procurement group meeting on 15 May 2013.

Identification of new issues in the current year, including issues identified in the mid-year assurance statement, and anticipated future issues

Internal auditors KPMG awarded ACNI a satisfactory level of assurance over its control environment in its assurance statement for 2012-13.

Internal Audit identified a number of areas where Arts Council of Northern Ireland should put procedures in place to strengthen the existing processes and controls in order to fully meet management's control objectives. Overall 35 new recommendations have been identified in the current year, 22 of which have already been addressed and management have agreed a timescale for implementation of the remaining 13 recommendations and one prior year issue. These 14 recommendations consist of two Priority 1 recommendation, nine Priority 2 recommendations and three Priority 3 recommendations. The Priority 1 recommendations concerned:

- ensuring that the information in the Letter of Offer is accurate and complete prior to issue to the clients. This recommendation was allocated to the Director of Operations, and
- equality of opportunity monitoring information held on the grants system. This recommendation was allocated to the Director of Operations and will be addressed by a systems upgrade.

During the year two reports received a limited assurance rating from internal audit. These reports were (i) Grant funding and client management and (ii) Data Protection arrangements. I am pleased to report that recommendations were satisfactorily progressed to allow internal audit to award a satisfactory level of assurance in its assurance statement.

Conclusion

As a result of the above, I believe that ACNI's internal control and governance framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid are not adequate. I believe that ACNI's governance structure has operated successfully in 2012-13.

Roisín McDonough
Accounting Officer

1 October 2013

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 2013 under the National Lottery etc. Act 1993. These 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 Arts 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 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, Statement of the Arts Council's and Accounting Officer's Responsibilities and Governance Statement 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.

In addition, 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 2013 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, Management Commentary and Sustainability Report 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement 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

16 October 2013

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

Statement of Comprehensive Net Income for the year ended 31 March 2013

	Note	2012-13 £	2011-12 £
Expenditure			
New grants made in year	11	7,850,153	5,604,028
Grants de-committed in year	11	(132,397)	(352,539)
Transfer to 2012 Olympics	7	565,831	1,214,872
Grant Funding Cross Border Touring	3b	150,000	150,000
Grant Funding Culture for All	3c	108,000	–
Staff costs: recharge	2	926,933	847,565
Other operating costs: direct costs	3a	84,713	98,621
Other operating costs: recharge	3a	258,164	263,755
Total Expenditure		<u>9,811,397</u>	<u>7,826,302</u>
Income			
Proceeds from Lottery ticket sales	4	10,676,254	8,446,571
Lottery investment returns	4	57,996	60,803
Other income	4	–	84,449
Total Income		<u>10,734,250</u>	<u>8,591,823</u>
Net Income		<u>922,853</u>	<u>765,521</u>
Other Comprehensive Net Income			
	Note	2012-13 £	2011-12 £
Net gain on revaluation of investment classified as held for sale	7	1,600	94,797
Total Comprehensive Income for the year ended 31 March 2013		<u>924,453</u>	<u>860,318</u>

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

Statement of Financial Position as at 31 March 2013

		31 March 2013	31 March 2012
	Note	£	£
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	5,221,643	4,732,359
Trade and other receivables	8	112,499	153,971
Cash and cash equivalents	9	224,442	283,757
Total current assets		5,558,584	5,170,087
Total assets		5,558,584	<u>5,170,087</u>
Current liabilities:			
Trade and other payables	10	165,325	81,429
Grant hard commitments	10	3,814,617	3,945,134
Total current liabilities		3,979,942	4,026,563
Non-current assets plus net current assets		1,578,642	<u>1,143,524</u>
Non-current liabilities			
Grant hard commitments	10	–	489,335
Total non-current liabilities		<u>–</u>	<u>489,335</u>
Assets less liabilities		1,578,642	<u>654,189</u>
Equity:			
General reserve		1,454,278	531,425
NLDF revaluation reserve		124,364	122,764
Total Equity		1,578,642	<u>654,189</u>

Roisín McDonough
Accounting Officer

1 October 2013

The notes on pages 28 to 41 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2013

	Note	2012-13 £	2011-12 £
Cash flows from operating activities			
Net income		922,853	765,521
Funds received into the National Lottery Distribution Fund	4	(10,734,250)	(8,507,374)
Decrease in trade and other receivables	8	41,472	35,189
Decrease in payables < 1 year	10	(46,621)	(3,708,492)
Decrease in payables > 1 year	10	(489,335)	(194,084)
Net cash outflow from operating activities		<u>(10,305,881)</u>	<u>(11,609,240)</u>
Cash flows from financing activities			
Funds drawn down from the National Lottery Distribution Fund (including transfer to 2013 Olympics)	7	10,246,566	11,534,228
Net financing		<u>10,246,566</u>	<u>11,534,228</u>
Net decrease in cash and cash equivalents in the period		<u>(59,315)</u>	<u>(75,012)</u>
Cash and cash equivalents at the beginning of the period	9	<u>283,757</u>	<u>358,769</u>
Cash and cash equivalents at the end of the period	9	<u>224,442</u>	<u>283,757</u>

The notes on pages 28 to 41 form part of these accounts.

Statement of Changes in Equity for the year ended 31 March 2013

	Notes	General Reserve £	NLDF Revaluation Reserve £	Total Reserves £
Balance at 31 March 2011		<u>(234,096)</u>	<u>27,967</u>	<u>(206,129)</u>
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		<u>531,425</u>	<u>122,764</u>	<u>654,189</u>
Changes in Equity for 2012-13				
Comprehensive net income for the year		922,853	–	922,853
Net gain on revaluation of investment	7	–	1,600	1,600
Balance at 31 March 2013		<u>1,454,278</u>	<u>124,364</u>	<u>1,578,642</u>

The notes on pages 28 to 41 form part of these accounts.

Notes to the Accounts

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 2012-13 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 basis, except in relation to balances held in the National Lottery Distribution Fund.

b Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets 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 5 September 2012.

Recharges for the 2012-13 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 43 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 2013.

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.

l Impending application of newly issued accounting standards as yet not effective

The Arts Council provides disclosure in that it has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Council's financial statements.

m Operating segments

The activities of the Arts council are considered to provide a single function; maintaining and developing the Arts in Northern Ireland. In terms of IFRS this is considered to be a single operating segment. It is therefore considered that no further analysis is required to meet the requirements of IFRS 8.

n Reserves

General Reserve

This is the balance arising from monies attributed to ACNI as a Distributing Body for the National Lottery Distribution Fund as certified by the Secretary of State for DCMS and the net income as reported in the Statement of Comprehensive Net Income for the year.

Revaluation reserve

This is the balance arising from any unrealised profit or loss on the revaluation of the NLDF investments classified as held for sale as reported in the Statement of Comprehensive Net Income for the year.

2 Staff numbers and related costs**Staff costs comprise:**

			2012-13	
	Permanently Employed Staff	Others	Total	2011-12
	£	£	£	£
Wages and salaries	634,577	59,188	693,765	650,816
Social security costs	49,106	4,170	53,276	49,077
Other pension costs	115,956	3,317	119,273	126,584
Agency costs	–	60,619	60,619	21,088
Total	<u>799,639</u>	<u>127,294</u>	<u>926,933</u>	<u>847,565</u>

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:

			2012-13	
	Permanently Employed Staff	Others	Total	2011-12
Arts Council of NI				
Directly employed	48	11	59	56
Staff engaged on capital projects	–	1	1	1
	48	12	60	57
Agency Staff	–	3	3	1
Total	<u>48</u>	<u>15</u>	<u>63</u>	<u>58</u>
Lottery Distribution Account				
Directly employed	<u>21</u>	<u>5</u>	<u>26</u>	<u>24</u>

Chief Executive's Remuneration

The Chief Executive's remuneration, including backdated pay awards, during the year was £79,408 (2011-12: £74,913). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £43,994 (2011-12: £42,784) 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 2012-13 the contribution rates were 19 per cent employers and ranging between 5.5 per cent and 7.5 per cent employees (2011-12: 18 per cent employers and ranging between 5.5 per cent and 7.5per 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 £119,273 (2011-12: £126,584).

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

Off Payroll Engagements

There were no off payroll engagements over £58,200 as at 31 January 2012.

3a Other Expenditure

	Direct	Recharge	2012-13 Total	Restated*
	£	£	£	2011-12 £
ACNI Administration Apportionment	–	258,164	258,164	263,755
NI Screen Administration	49,000	–	49,000	36,624
Small Grants Administration	360	–	360	1,180
Audit Fees	27,000	–	27,000	27,000
Consultancy – Capital build programme	7,963	–	7,963	18,817
Cultural Olympiad – Commissions	–	–	–	15,000
External Monitoring	390	–	390	–
Total	84,713	258,164	342,877	362,376

*£1,180 relating to Small Grants Administration had been incorrectly classified in the 2011-12 Accounts as Administration.

Of the total operating expenses of £342,877 an amount of £258,164 (2011-12: £263,755) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £258,164 (2011-12: £263,755) 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.

During the year Council purchased no non-audit services from its external auditor.

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 2012-13 expenditure of £150,000 was incurred in respect of this agreement (2011-12: £150,000).

3c Grant Funding Culture for All

Culture for All is a grant programme delivered and funded by the Big Lottery Fund and the Arts Council of Northern Ireland in partnership with Culture Company 2013. The programme provides opportunities for communities across Northern Ireland to engage with, and share in, the UK City of Culture celebrations. The programme is managed by the Big Lottery Fund under a Service Level Agreement with the Arts Council of Northern Ireland. During 2012-13 ACNI made a contribution of £108,000 in respect of this programme (2011-12: Nil).

4 Income

	2012-13	2011-12
	£	£
NLDF Income:		
Investment Income	57,996	60,803
Realised Gain on Investment	–	–
Lottery Investment Returns	57,996	60,803
Proceeds from Lottery Ticket Sales	10,676,254	8,446,571
Total NLDF Income	10,734,250	8,507,374
Other Income:		
Grants Refunded	–	26,425
NI Screen Recoupment	–	57,750
Miscellaneous	–	274
Total Other Income:	–	84,449
Total Income	10,734,250	8,591,823

5 Property, plant and equipment

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.

	Information Technology £	Furniture and Fittings £	Total £
Cost or valuation			
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	-	-	-

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 2012-13, £10.7 million or 99.46 per cent (2011-12: £8.4m or 98.31 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, £58,000 or 0.54 per cent (2011-12: £61,000 or 0.71 per cent), and from Sundry Income, Nil or 0 per cent (2011-12: £84,000 or 0.98 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 £5.4 million as well as forecasted NLDF income to cover all current contracted commitments of £3.8 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 £5.2 million. In the year the rate of return declared by NLDF was 0.78 per cent (2011-12: 2.26 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 (2011-12: 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 £224,442 (31 March 2012: £283,757). 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 £1,085m 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. 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 £4,210,447 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, and £565,831 over the year 2012-13.

The closing market value of investments held at 31 March 2013 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £5,221,643 (31 March 2012 £4,732,359).

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 2013	31 March 2012
	£	£
Proceeds from Lottery	10,676,254	8,446,571
Investment Income	57,996	60,803
Drawn down in year by Arts Council	(9,680,735)	(10,319,356)
Transfer to 2012 Olympics	(565,831)	(1,214,872)
Total decrease in Funds	487,684	(3,026,854)
Realised Gain on Investment	-	-
Movement in Revaluation Reserve	1,600	94,797
Balance as at 1 April	4,732,359	7,664,416
Balance as at 31 March	5,221,643	4,732,359

8 Trade receivables and other current assets

	31 March 2013	31 March 2012
	£	£
Amounts falling due within one year:		
Prepayments & Accrued Income	112,499	153,971
	<u>112,499</u>	<u>153,971</u>

8.1 Intra-Government Balances

	31 March 2013	31 March 2012
	£	£
Central Government	112,499	153,785
Intra Government Receivables	112,499	153,785
Bodies External to Government	-	186
	<u>112,499</u>	<u>153,971</u>

9 Cash and cash equivalents

	31 March 2013	31 March 2012
	£	£
Balance at 1 April	283,757	358,769
Net change in cash and cash equivalent balances	(59,315)	(75,012)
Balance at 31 March	<u>224,442</u>	<u>283,757</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	224,442	283,757
Balance at 31 March	<u>224,442</u>	<u>283,757</u>

10 Trade payables and other current liabilities

	31 March 2013	31 March 2012
	£	£
Amounts falling due within one year		
Accruals and deferred income	165,325	81,429
Grant hard commitments (Note 11)	3,814,617	3,945,134
	<u>3,979,942</u>	<u>4,026,563</u>
Amounts falling due after more than one year		
Grant hard commitments (Note 11)	<u>-</u>	<u>489,335</u>

Other Current Liabilities includes £129,350 (31 March 2012: £54,429) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

The £489,335 disclosed at 31 March 2012 as falling due after more than one year relates to the predicted 2013-14 balance of the £5 million lottery award made for the building of the new MAC arts venue under the Building Programme. The spend in relation to large scale capital builds often span a number of years due to the size and nature of such projects. Spend on the MAC is due to complete during the 2013-14 year and therefore there are no commitments greater than one year at this time.

10.1 Intra-Government Balances

	31 March 2013	31 March 2012
	£	£
Amounts falling due within one year		
Balances with Central Government	448,360	374,518
Balances with Local Authorities	1,494,016	496,159
Balances with NHS Trusts	81,262	32,761
Balances with Intra Government Payables	2,023,638	903,438
Balances with Bodies External to Government	1,956,304	3,123,125
	3,979,942	4,026,563
Amounts falling due after more than one year		
Balances with Bodies External to Government	–	489,335
	<u>–</u>	<u>489,335</u>

11 Grant Commitments

	31 March 2013	31 March 2012
	£	£
Soft Commitments		
a Soft commitments brought forward	3,039,255	215,833
b Soft commitments transferred to hard commitments	(7,850,153)	(5,604,028)
c Soft de-commitments	(3,312)	(10,500)
d Soft commitments made in year	5,122,015	8,437,950
e Soft commitments carried forward	307,805	3,039,255
Hard Commitments		
a Hard commitments brought forward	4,434,469	8,225,380
b Hard commitments met in year	(8,337,608)	(9,042,400)
c Hard de-commitments	(132,397)	(352,539)
d Hard commitments made	7,850,153	5,604,028
e Hard commitments carried forward	3,814,617	4,434,469
Profile of Hard Commitments over the next five years		
Amounts falling due during 2012-13	–	3,945,134
Amounts falling due during 2013-14	3,814,617	489,335
Amounts falling due during 2014-15	–	–
Amounts falling due during 2015-16	–	–
Amounts falling due during 2016-17	–	–
Amounts falling due during 2017-18	–	–
	<u>3,814,617</u>	<u>4,434,469</u>
Total grant commitments carried forward:		
Soft	307,805	3,039,255
Hard	3,814,617	4,434,469
	<u>4,122,422</u>	<u>7,473,724</u>

Current contracted commitments total £3.8 million. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £5.4m 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 2012-13 grants paid according to the following definitions were:

	31 March 2013	31 March 2012
	£	£
Local Authorities	100,894	124,860
NHS Trusts	36,500	–
Other Public Bodies	500	53,750
Intra Government Payments	137,894	178,610
Payments to bodies External to Government	8,199,714	8,863,790
Total Payments (Note 11)	8,337,608	9,042,400

13 Capital Commitments

There were no capital commitments as at 31 March 2013 (31 March 2012: 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 may 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 2012: 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 2013 a net amount of £129,350 (2011-12: £54,429) 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.

Name	Nature of relationship	Organisation Name	Awarded in 2012-13	Paid in 2012-13*	**Balance Outstanding as at 31 March 2013**
Board Members:					
Bob Collins	Former Board member of Ulster Orchestra (May 2011);	Ulster Orchestra Society Ltd	£70,000	£107,396.33	£35,000
Damien Coyle	Arts Care	Arts Care	£87,876	£110,224	£87,876
	Partner employed as consultant by WHSCT	Western Health & Social Care Trust	–	£11,500	–
	Relative is member of Cookstown DC	Cookstown District Council	–	–	£15,132
David Irvine	Chairman of Moving on Music	Moving on Music	£120,266	£123,690	£110,726
Noelle McAlinden	Member of Nerve Centre Board of Director's	Nerve Centre	–	£4,966	–
Paul Mullan	Trustee of the Old Museum Building which houses Kids in Control and Replay Theatre; Wife, Roisin McPhilemy, is secretary of All Set Dance Group	Kids in Control Replay Theatre Company All Set Cross Cultural Project	£55,354 – £36,008	£61,385 £23,499 £8,670	£59,064 – £27,338
Paul Seawright	Belfast Photo Festival (Chair)	Belfast Photo Festival	£20,000	–	£20,000
Brian Sore	Life member of Royal Town Planning Institute (user and partner of PLACE)	PLACE	£94,375	£64,357	£94,375
	Committee member of Arts Care charity	Arts Care	£87,876	£110,224	£87,876
Janine Walker	Mar 13 – Member of NITA.	Northern Ireland Theatre Association (NITA)	£42,420	£40,795	£22,371
	Co-founder of Spanner in the Works Theatre Company	Spanner in the Works	£35,798	£38,078	£35,798
Staff Members:					
Gilly Campbell	Tinderbox Theatre Company	3rd Party Claim – Tinderbox Theatre Company	–	£2,500	£700
David Gilliland	Company Secretary of Arts for All, Belfast;	Arts for All	£96,758	£47,834	£72,404

Name	Nature of relationship	Organisation Name	**Balance Outstanding as at		
			Awarded in 2012-13	Paid in 2012-13*	31 March 2013**
Esther Haller-Clarke	Previously employed on a consultancy basis by Belfast Community Circus School	Belfast Community Circus School	£8,000	£21,372	£8,891
		Belfast Festival at Queens	–	£500	–
	Previously employed by Belfast Festival at Queens.	Big Telly Theatre Company	£12,580	£31,146	£4,741
		Prime Cut Productions Ltd	–	£19,487	–
	Employed as a freelance consultant (until March 2012) by Big Telly Theatre Company and Prime Cut Productions – close friends with members of both organisations	The Cathedral Quarter Arts Festival	£6,000	£35,400	£600
		Open House Festival	£58,200	£60,000	–
	The Lyric Theatre	–	–	£176,546	
	Close friends with members of the Cathedral Quarter Arts Festival team.				
	Previously employed on a consultancy basis by Open House				
	Previous full time employee of the Lyric Theatre				
Joanna Harvey	Young at Art – interest ceased 31 March 2012	Young at Art	£17,680	£52,637	£8,840
Claire Kilpatrick	Sister on Board of New Lodge Arts	New Lodge Arts	£79,700	£99,826	£82,080
Suzanne Lyle	Mentors Elaine Hill, Curator, Craigavon Borough Council as part of the Museums Association professional development scheme	Craigavon Borough Council	–	–	£13,850
		Golden Thread Gallery	£18,750	£3,311	£18,750
	Friend of John Reid of Robinson McIlwaine Architectural practice – the landlords of Golden Thread Gallery				
Julianne McCormick	Resigned Vice Chair of ArtsEkta August 2012	ArtsEkta	£40,000	£54,507	£5,768
Roisín McDonough	Board member: Derry City of Culture 2013; My son is on the Board of Music Theatre 4 Youth Ltd	Derry City Council	£1,000,000	–	£1,000,000
		Music Theatre 4 Youth Ltd	£35,877	£47,528	£37,726

Name	Nature of relationship	Organisation Name	Awarded in 2012-13	Paid in 2012-13*	**Balance Outstanding as at 31 March 2013**
Nóirín McKinne	My husband Chris	Irish Pages	£29,000	£30,000	£29,000
	Agee is Editor of Irish Pages. My friends	PANARTS	£58,555	£38,750	£34,805
	Anne Coulter and Colin Magee are Manager and Director of the Belfast Nashville Festival and PanArts. Board member of Culture Company 2013	Derry City Council	£1,000,000	-	£1,000,000
Gavin O'Connor	Interest ceased 7 April 2012 – Tutor with Belfast Traditional Music Society. Amended February 2013 – I later re-engaged as a tutor with the organisation in September 2012 and this has continued.	BelfastTrad (Traditional Music and Dance Society)	£19,400	£20,000	£19,400
Deirdre Robb	Member of Creative Exchange Studio Group	Creative Exchange	-	£6,000	-
Cian Smyth	Board member – Outburst Arts;	Outburst Arts Festival	£30,000	£29,910	£15,000
Damian Smyth	Published by Lagan Press, which is now incorporated within Verbal Arts Centre	Verbal Arts Centre	-	£15,150	-
Rosa Solinas	Appointed to Chief Executive of Ulster Orchestra in Feb2013, Change of jobs.	Ulster Orchestra Society Ltd	£70,000	£107,396.33	£35,000
Fionnuala Walsh	Partner on Board of: 1. Digital Arts Studios 2. PLACE	Digital Arts Studios	£60,260	£75,318	£60,630
		PLACE	£94,375	£64,357	£94,375
	Partner working for Fermanagh DC and linked to Beckett Festival	Happy Days Enniskillen International Beckett Festival	£115,000	-	£115,000

*Paid in 2012-13 includes payments relating to awards made in previous years.

**Balance outstanding as at 31 March 2013 includes all awards made in 2012-13 and previous years where an outstanding balance remains.

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

Name	Nature of relationship	Amount	Balance Outstanding
David Irvine	Employed by Marsh Ltd – insurance broker & risk adviser to ACNI.	£25,952	-

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 2013.

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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