

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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# Arts Council of Northern Ireland Lottery Distribution Account 2009-2010

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# Arts Council of Northern Ireland Lottery Distribution Account 2009-2010

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He certifies the accounts of all government departments  
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# Annual Report

## Directors' Report

### Background Information on the Arts Council of Northern Ireland

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

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

### Statutory Background

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

The National Lottery was established by the National Lottery etc. Act 1993, as amended by the 1998 Act, to raise money for 'good causes' through the sale of lottery tickets. The Arts Council of Northern Ireland is charged under the Act with responsibility for distributing Lottery proceeds allocated to the arts in Northern Ireland. Lottery proceeds are also distributed through other distributing bodies to Sport, National Heritage, Charities, Millennium Projects, and to the Arts in England, Scotland and Wales. From 1998-99 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 £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games.

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in accordance with sections 35(2) and 35(3) of the National Lottery etc. Act 1993 and Lottery Accounts Direction given by the Department of Culture, Arts and Leisure, with the approval of the Secretary of State for Culture, Media and Sport. DCAL issued revised Lottery Accounts Directions to ACNI on 19 July 2010, a copy of which is attached to the end of these financial statements. 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 1995-1996. The principal function is to fund applications for a broad range of capital and revenue projects in the Arts which will make an important and lasting difference to the quality of life of the people in Northern Ireland.

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

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

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

The Board of the Arts Council of Northern Ireland for the year ended 31 March 2010 is shown below.

### Board

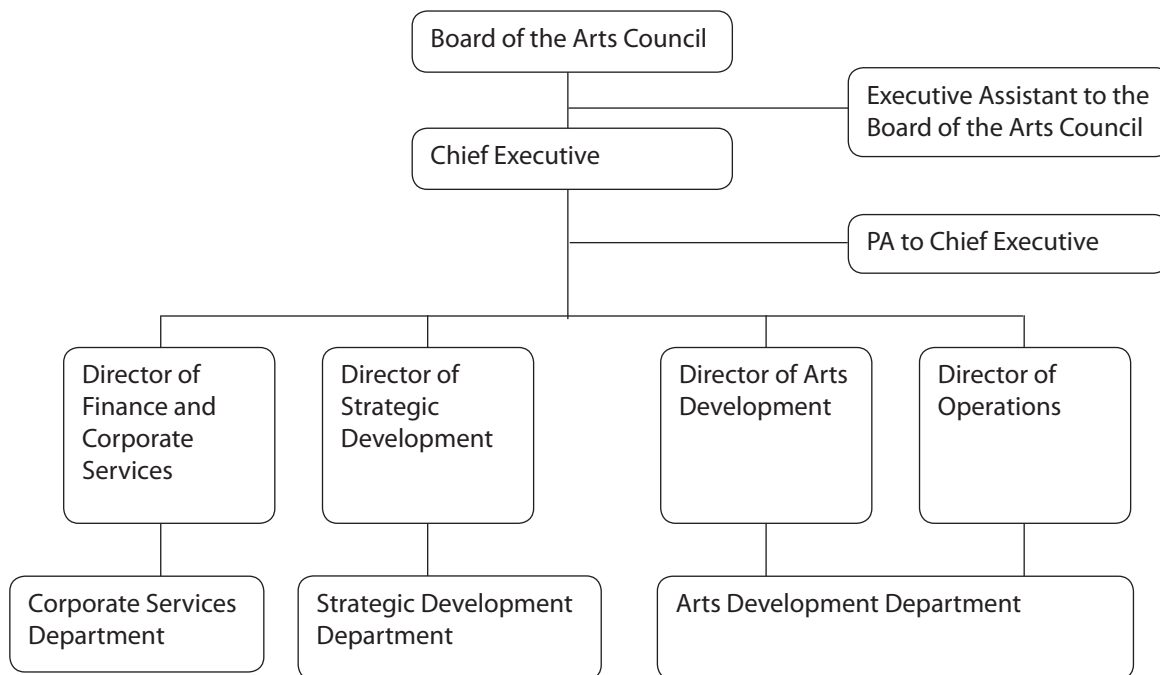
Ms Rosemary Kelly (Chairman)	Prof Ian Montgomery
Mr Damien Coyle (Vice Chairman)	Ms Sharon O'Connor
Mrs Eithne Benson	Mr Joe Rice
Ms Kate Bond (returned from maternity leave 1 Dec 2009)	Prof Paul Seawright
Mr Brian Sore	Mr Raymond Fullerton
Mr Peter Spratt	Mr David Irvine
Ms Janine Walker	Mr Tony Kennedy
Mr Bill Montgomery	

The members of the Audit and Risk Committee for the year ended 31 March 2010 were Mr Tony Kennedy (Chairman), Mr Raymond Fullerton, Mr David Irvine, and Mr Ivor Johnston (Co-opted Member).

The members of the Lottery, Grants and Capital Committee for the year ended 31 March 2010 were Ms Kate Bond (Chairman – returned from maternity leave on 1 December 2009), Mrs Eithne Benson (Acting Chairman until 1 December 2009), Prof Paul Seawright, Mr Damien Coyle, Mr Tony Kennedy (left committee 20 September 2009).

Several members of the Board of the Arts Council, its Lottery, Grants and Capital Committee and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 17. All of the transactions relating to the organisations were conducted at arms length by the Board members and staff of the Arts Council.

## Organisational Structure



## Appointment of auditors

Under the National Lottery etc. Act 1993, in particular Section 35(5), the Comptroller and Auditor General of the National Audit Office examines and certifies the financial statements of each of the National Lottery distributing bodies and lays copies of the statements and his report before Parliament.

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

## Policy on disabled persons

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

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

## Pension Fund

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the ACNI Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £184,975 (2008-2009 Restated: £116,915).

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 2010 was £7.722m (2008-2009: £5.372m) and the present value of the Council's share of the scheme liabilities was £12.426m (2008-2009: £7.432m). The Council's share of the Scheme recorded net pension liabilities at 31 March 2010 was £4.704m (31 March 2009: £2.060m).

### Employee consultation

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

### Payment of suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. Until January 2010 the Arts Council were following a 30 day payment target i.e. where payment is due within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 93 per cent of the bills were paid within this standard. The comparative figure for 2008-2009 was 90 per cent. The target for this is 95 per cent.

From February 2010 onwards the Arts Council proactively started to achieve the 10 day target (as outlined in DAO 12/08) and from the introduction of new measures for the 2 month period from February to March 2010, 100 per cent of supplier invoices were paid on time. Overall, for the year under the two different targets the average number of days taken to pay invoices was 16 days.

### Political and charitable donations

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

### Equal opportunity policy

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



## Board Members Attendance 2009-2010

	Board Meetings				Committee Meetings		Total Meetings		%
	Full	Part	Actual	Possible	Actual	Possible	Actual	Possible	
Eithne Benson	10	2	12	15	4	4	16	19	84
Kate Bond #	3	0	3	7	1	2	4	9	44
Damien Coyle	7	2	9	15	14	20	23	35	66
Raymond Fullerton	7	1	8	15	4	5	12	20	60
David Irvine	12	0	12	15	5	5	17	20	85
Rosemary Kelly	15	0	15	15	9	10	24	25	96
Tony Kennedy	12	1	13	15	13	13	26	28	93
Bill Montgomery	8	1	9	15	4	7	13	22	59
Ian Montgomery	6	2	8	15	9	10	17	25	68
Sharon O'Connor	7	0	7	15	0	0	7	15	47
Joe Rice	6	1	7	15	2	6	9	21	43
Paul Seawright	10	2	12	15	3	7	15	22	68
Brian Sore	15	0	15	15	6	8	21	23	91
Peter Spratt	9	1	10	15	2	3	12	18	67
Janine Walker	10	0	10	15	5	6	15	21	71

\* Ad hoc meetings not included

# adjusted for maternity leave

# Management Commentary

## Principal risks

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

## Implementation of IFRS

The Arts Council of Northern Ireland Lottery Distribution Account has been prepared in accordance with the 2009-2010 Government Financial Reporting Manual (FReM) issued by HM Treasury. For the first time the accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. This constitutes a significant change to the financial reporting framework resulting in the restatement of the 2008-2009 comparatives. A reconciliation showing the impact of the move from UK Generally Accepted Accounting Principles (GAAP) to IFRS is provided in Note 2 – First-time adoption of IFRS.

## Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Net Expenditure Account. Total income received from the National Lottery totalled £6,964,863 (2008-2009 Restated: £6,102,979). During the year the Arts Council paid £8,885,528 (2008-2009: £8,746,370) to applicants and contributed £1,214,872 (2008-2009: £303,718) to the Olympic Lottery Distribution Fund. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,324,694 (excluding depreciation) (2008-2009 Restated: £1,111,452). This represents approximately 19 per cent (2008-2009 Restated: 18 per cent) of the total proceeds received in the year and 12 per cent (2008-2009: 12 per cent) of total funds drawn down.

## Review of National Lottery distribution activities

During the 2009-2010 year, 817 applications were received by the Arts Council seeking grants of £10,050,866 (2008-2009: £10,612,661) across the main Lottery programmes. By the end of the year 425 (2008-2009: 263) grants had been awarded through the main programmes, receiving a total of £10,586,712 (2008-2009: £4,139,797). The Arts Council no longer makes awards through Awards for All. In 2008-2009, the Council made 146 awards through Awards for All, totalling £478,424 (Restated). NI Screen made 48 (2008-2009: 44) awards totalling £481,379 (2008-2009: £469,000) under its 3-year delegation agreement with the Arts Council. Therefore in aggregate 473 awards were made in the year totalling £11,068,091 (2008-2009: £5,087,221) as shown in Note 12 of the accounts.

## Equity at the year end

At the end of the year the Lottery Distribution Account showed a net expenditure of £5,740,362 (2008-2009 Restated: net income of £468,780). At the end of 2009-2010 the total equity showed a deficit of £926,715 (2008-2009: surplus of £4,831,177).

## Comment on NLDF Balance Policy

As at 31 March 2010, Arts Council Lottery Account balances at NLDF totalled £10.4m (2008-2009: 15.3m), down £4.9m on the prior year – a decrease of 32 per cent.

During 2009-2010, the Council agreed a new target to reduce its balance in the NLDF to £5m by March 2013. With a number of capital projects reaching completion during 2009-2010, and a further two major capital projects to be completed by March 2012, committed funds which had remained in the NLDF balance for a number of years have been drawn down. In addition, the majority of Lottery awards must be used within a calendar year of the date of the award thereby ensuring a quicker draw down.

As specified in the Lottery Accounts Direction, issued by the Department for Culture, Arts and Leisure, the NLDF balance is classified as investments held for sale in the Statement of Financial Position. This is in line with the Department for Culture, Media and Sport's (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 £12m. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £11.1m 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 2014-2015.

### Sickness absence

The number of sick days reported in 2009-2010 excluding maternity related sickness was 531 days (2008-2009: 561 days). The figure for the year including maternity related sickness was 537 days (2008-2009: 700 days). This equates to an average per employee of 9 days (2008-2009: 13 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.

### 2009-2010 National Lottery Distribution activities

Following its launch in January 2009, the Council's new Small Grants Programme made its first awards in April 2009. This rolling programme awarded 101 grants during the year totalling £482,992.

The Council continued its delegation arrangement with NI Screen allocating 9 per cent of its net available funds to NI Screen in support of the development, production and distribution of film.

The Council received its independent review of its internal grants procedures in March 2010. The review made several recommendations which will be implemented across the Council's funding programmes during 2010-2011 and 2011-2012.

As part of the Cultural Olympiad, the Council awarded a grant to Dumbworld productions to develop 'Nest' as part of the UK-wide Artists Taking the Lead programme and, in association with other government and private finance sources, Lottery funds were awarded to 30 projects under the Re-Imaging Communities programme.

During the year, the Council continued to offer funds for feasibility studies. Whilst the Council does not currently have a construction capital line within its range of Lottery programmes, the provision of these funds helps organisations prepare appropriate business cases which can be submitted in support of applications for other funds.

## Future developments in National Lottery distribution activities

In the incoming year 2010-2011 the Council will continue to offer the full range of programmes which it has operated during the current year.

2010-2011 will be the final year of the current NI Screen delegation agreement. The Council will invite NI Screen to make a presentation in support of a further agreement in furtherance of the Council's Policy Direction to support film distribution, development and production.

The Council will launch a new programme – Arts & Older People – addressing the barriers to older people's participation in the arts and, in association with the other Lottery arts distributors will allocate funds towards a Cross-border touring programme.

## Remuneration Report

### Remuneration policy

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

R Kelly            D Coyle            B Montgomery            I Montgomery

When acting as a Remuneration Committee the membership will include two additional board members to comprise

R Kelly            D Coyle            B Montgomery            I Montgomery            B Sore            T Kennedy

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service grade. The remuneration of senior civil servants is approved by the Minister for 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](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. The senior civil service pay award in 2009-2010 comprised a base pay uplift only, with individual's awards differentiated on the basis of performance and position on the relevant pay band. There were no non-consolidated bonus payments to any senior civil servants as part of the pay award. The Remuneration Committee is responsible for approving the Chief Executive's salary and assessing her performance.

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

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

### Service contracts

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

### Salary

'Salary' includes gross salary and performance pay or bonuses, to the extent that they are subject to UK taxation. This report is based on payments made by the Arts Council of Northern Ireland before any recharge of costs is made to the Lottery fund.

## Benefits in kind

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

## Board Members' Honoraria

No emoluments were paid to members of the Board of the Arts Council except for Honoraria to the Chairman and Vice Chairman. The 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 2009-2010 was £14,050 (2008-2009: £14,082) as shown in wages and salaries. This includes £550 of employer's National Insurance Contributions. The amounts received by the Chairman and Vice Chairman are detailed below

	Chairman £	Vice Chairman £
R Kelly	10,000	
D Coyle		£3,500

Of the total cost of honoraria £6,182 (2008-2009: £3,521) 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.

## Salary and Pension entitlements

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

### Remuneration (Audited Information)

	<b>2009-2010 Salary £000</b>	2008-2009 Salary £000
R McDonough (Chief Executive)	<b>80-85</b>	75-80
P Hammond (Director of Arts Support – retired 31 March 2009)	<b>N/A</b>	50-55
N McKinney (Director of Arts Development)	<b>45-50</b>	45-50
P Burns – (Director of Corporate Services – retired 30 November 2009)	<b>25-30 45-50 (full year equivalent)</b>	45-50
K Brown – (Director of Corporate Services – Part-time Acting Director 20 April 2009 to 31 March 2010)	<b>20-25 35-40 (full year equivalent)</b>	N/A
G Troughton (Director of Finance & Corporate Services - Appointed 1 March 2010)	<b>0-5 40-45 (full year equivalent)</b>	N/A
N Livingston (Director of Strategic Development)	<b>45-50</b>	45-50
L McDowell (Director of Operations)	<b>40-45</b>	40-45

## Arts Council Pensions

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

During the year, the Arts Council made contributions for 71 (2008-2009: 63) employees (not all 71 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 2010 the Arts Council contributed 16 per cent (2008-2009: 16 per cent) of gross salary.

	<b>2009-2010</b>	Restated 2008-2009
	<b>£</b>	£
Employer's Pension Contributions	<b>184,975</b>	116,915

### Pension Entitlements (Audited Information)

	Pensionable Earnings	Accrued pension At 65	Real increase	Accrued Lump Sum at 65	Real increase in lump sum	CETV 31 March 2009	CETV 31 March 2010	Real Increase In CETV
	£000	£000	£000	£000	£000	£000	£000	£000
R McDonough (Chief Executive)	70-75	25.8	1.67	73.8	1.32	551.3	616.3	55.7
N McKinney (Director of Arts Development)	45-50	13.9	0.79	39.4	0.05	227.4	251.8	17.7
K Brown (Part time Acting Director of Corporate Services from 20 April 2009 to 31 March 2010)	20-25	0.6	0.62	–	–	–	9.2	9.2
G Troughton (Director of Finance & Corporate Services – Appointed 1 March 2010)	0-5	0.06	0.06	–	–	–	0.7	0.7
N Livingston (Director of Strategic Development)	45-50	16.1	1.00	46.0	0.72	310.6	349.5	30.7
L McDowell (Director of Operations)	40-45	15.7	0.91	45.0	0.67	303.1	339.8	28.6

P Burns retired early with an enhancement of 8 years 176 days and was earning £45-50,000 a year when he left. The total additional accrued pension liabilities in the year amounted to £6,700.

## 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.

*Roisín McDonough*  
Accounting Officer for the Council

25 March 2011



## 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 1993 and Lottery Accounts Direction given by the Department of Culture, Arts and Leisure.

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 the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport (formerly National Heritage), including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- 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 Lottery Distribution Fund will continue in operation.

The Accounting Officer for the Department of Culture, Arts and Leisure has designated the Chief Executive of the Arts Council of Northern Ireland as the Accounting Officer for the Council. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the finances for which she is answerable and for the keeping of proper records, are set out in 'Managing Public Money' issued by HM Treasury, and in the Financial Directions issued by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc. Act 1993.

*Roisín McDonough*  
Accounting Officer for the Council

25 March 2011

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Arts Council's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money' and ensuring compliance with the requirements of ACNI's Management Statement, Financial Memorandum and Statement of Financial Requirements. This responsibility is supported by the functions of the Arts 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.

## The purpose of the system on Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to

- identify and prioritise the risks to the achievement of the Arts Council's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage risks efficiently, effectively and economically.

The system of internal control has been in place in the Arts Council for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. The organisation will at all times ensure that

- it meets its statutory reporting and regulatory obligations;
- it is accountable to both its sponsoring department and, ultimately, the public; and
- it will maintain systems to protect and ensure value-for-money in the use of its resources in the meeting of its aims and objectives.

## Capacity to handle risk

The identification and impact of risk is incorporated into the corporate planning and decision-making processes of the Arts Council. Consequently the Arts Council ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on and are supplemented by detailed best practice guidelines on 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. An in-house tailored training programme on risk management facilitated by CIPFA was undertaken by 15 members of staff in November 2009. A Risk Management Strategy was developed and approved by the Board in March 2009.

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

The Board Chairman and Audit and Risk Committee Chairman review the final reports and accounts. The ensuing Report to those charged with Governance issued by the external auditors is considered by both the Audit and Risk Committee and the Board.

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

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

### The risk and control framework

The Arts Council appointed independent Internal Auditors (ASM Horwath) from a tender exercise in open competition during 2008-2009. The internal auditors have submitted regular reports which included an opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement.

With DCAL's approval the Board's Review of Grant Distribution was undertaken during 2009-2010 and has reached the implementation stage.

Grant monitoring procedures continued to be monitored and further improvements and adaptations were ongoing, utilising both finance and internal audit expertise. I have been assured by my senior managers that the procedures continue to incorporate more sophisticated aspects such as multiple application fraud detection in line with policy and financial directions.

The new Information and IT Security Policy introduced to ensure staff awareness of best practice in how to protect the data and assets of the Arts Council was recommended by the Audit and Risk Committee and approved by the Board in June 2009.

Grants Verification procedures were approved by the Board in January 2010 on the recommendation of the Audit and Risk Committee. However due to the current financial exigencies it was not possible to confirm the appointment of the Verification Officer. The duties will be carried out within the existing staff complement.

DCAL's framework for Risk Registers was adopted and put in place in December 2009.

Following an announcement by the Information Commissioner that the approval of all current publication schemes would expire on 31 December 2008, the Council adopted a new model scheme which is suitable for every public authority and is publishing more information than was previously the case.

The Arts Council operates a Document Disposal Schedule, which reflects the Northern Ireland Civil Service File Plan.

The Framework is also guided by Best Practice in the areas of Public Interest Disclosure (whistleblowing) and Fraud Risk Management. In accordance with central government guidelines and best practice the Arts Council has in place an Anti-Fraud Policy and a Public Interest Disclosure (whistleblowing) Policy which has recently been reviewed and approved by the Board.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control which is informed by the work of the internal auditor and the senior managers within the Council who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Report to those charged with Governance and other reports. In addition, as noted above, the Committees of the Board of the Arts Council report at Board meetings on the functional areas falling within each Committee's terms of reference. The Board makes appropriate recommendations where necessary.

A three year Strategic Internal Audit Plan for 2008-11 is in place and has been reviewed and updated on an annual basis. The 2010-2011 plan was recently updated to reflect recommendations from DCAL Governance Support Unit (GSU) and was accepted by the Audit and Risk Committee in March 2010. The Annual Statement of Assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate in accordance with best practice guidelines. A substantial assurance was given in relation to Financial and Management Information. Outstanding internal and external recommendations are reviewed regularly and are incorporated into work plans for the incoming financial year.

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

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee. A plan to address any weaknesses, implement internal audit and external audit recommendations, and ensure continuous improvement of the system is in place.

## Significant internal control issue

An issue has arisen during the year regarding the implementation and the lack of testing of various elements of the Business Continuity Planning (BCP). A steering group has been formed to consider the BCP and are working to a plan. Initial testing has commenced in relation to the area of system back-up documentation. Other areas will be tested in due course.

*Roisín McDonough*  
Accounting Officer for the Council

25 March 2011

# 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 Fund for the year ended 31 March 2010 under the National Lottery Distribution Act 1993 (as amended). These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Council, Accounting Officer and Auditor

As explained more fully in the Statement of the Arts Council's and Accounting Officer's Responsibilities, the Council and 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 the financial statements in accordance with applicable law and 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 Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council of Northern Ireland Lottery Distribution Fund; and the overall presentation of the financial statements.

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

### **Opinion on regularity**

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

### **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 Fund's affairs as at 31 March 2010 and of its net expenditure, changes in equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery Act 1993 (as amended) and directions issued thereunder.

### **Opinion on other matters**

In my opinion

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Lottery Act 1993 (as amended) and directions issued thereunder; and
- the information given in Annual Report comprising the Directors' Report and Management Commentary 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 are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

17 May 2011

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

## Net Expenditure Account for the year ended 31 March 2010

	Notes	2009-2010 £	Restated 2008-2009 £
<b>Expenditure</b>			
New grants made in year	12	<b>11,190,696</b>	4,800,035
Grants de-committed in year	12	<b>(981,332)</b>	(438,590)
Transfer to 2012 Olympics	8	<b>1,214,872</b>	303,718
Staff costs: direct costs	3	<b>1,705</b>	-
Staff costs: recharge	3	<b>952,818</b>	661,851
Depreciation	6	<b>210</b>	358
Other operating costs: direct costs	4	<b>119,803</b>	124,037
Other operating costs: recharge	4	<b>250,368</b>	325,564
		<b>12,749,140</b>	5,776,973
<b>Income</b>			
Proceeds from Lottery ticket sales	5	<b>6,908,862</b>	5,829,476
Lottery investment returns	5	<b>56,001</b>	273,503
Other income	5	<b>43,915</b>	142,774
		<b>7,008,778</b>	6,245,753
		<b>(5,740,362)</b>	468,780

*The notes on pages 23 to 36 form part of these financial statements*

## Statement of Financial Position as at 31 March 2010

	Notes	31 March 2010 £	Restated 31 March 2009 £	Restated 1 April 2008 £
<b>Non-current assets</b>				
Property, plant and equipment	6	0	210	568
<b>Total non-current assets</b>		<b>0</b>	<b>210</b>	<b>568</b>
<b>Current assets</b>				
Investment classified as held for sale	8	<b>10,420,877</b>	15,309,776	18,900,684
Trade and other receivables	9	<b>168,078</b>	196,814	178,493
Cash and cash equivalents	10	<b>530,906</b>	189,312	406,993
<b>Total current assets</b>		<b>11,119,861</b>	<b>15,695,902</b>	<b>19,486,170</b>
<b>Total assets</b>		<b>11,119,861</b>	<b>15,696,112</b>	<b>19,486,738</b>
<b>Current liabilities</b>				
Trade and other payables	11	<b>290,609</b>	432,804	325,860
Grant hard commitments < 1 year	11	<b>9,460,967</b>	8,042,938	10,683,205
<b>Total current liabilities</b>		<b>9,751,576</b>	<b>8,475,742</b>	<b>11,009,065</b>
<b>Non-current assets plus net current assets</b>		<b>1,368,285</b>	<b>7,220,370</b>	<b>8,477,673</b>
<b>Non-current liabilities</b>				
Grant hard commitments > 1 year	11	<b>2,295,000</b>	2,389,193	4,133,851
<b>Total non-current liabilities</b>		<b>2,295,000</b>	<b>2,389,193</b>	<b>4,133,851</b>
<b>Assets less liabilities</b>		<b>(926,715)</b>	<b>4,831,177</b>	<b>4,343,822</b>
<b>Equity</b>				
General reserve		<b>(969,342)</b>	4,771,020	4,302,240
NLDF revaluation reserve		<b>42,627</b>	60,157	41,582
<b>Total equity</b>		<b>(926,715)</b>	<b>4,831,177</b>	<b>4,343,822</b>

The notes on pages 23 to 36 form part of these financial statements.

Roisín McDonough  
Accounting Officer for the Council

25 March 2011



## Statement of Cash Flows for the year ended 31 March 2010

	Notes	2009-2010 £	Restated 2008-2009 £
<b>Cash flows from operating activities</b>			
Net(expenditure)/income		<b>(5,740,362)</b>	468,780
Funds received into the National Lottery Distribution Fund	5	<b>(6,964,863)</b>	(6,102,979)
Depreciation	6	<b>210</b>	358
(Increase)/decrease in trade and other receivables excluding bank interest		<b>23,184</b>	(23,797)
(Increase)/decrease in interest receivable		<b>5,552</b>	(24,962)
Increase/(decrease) in trade payables < 1 year		<b>1,275,834</b>	(2,533,323)
Decrease in trade payables > 1 year		<b>(94,193)</b>	(1,744,658)
<b>Net cash outflow from operating activities</b>		<b><u>(11,494,638)</u></b>	<u>(9,960,581)</u>
<b>Cash flows from investing activities</b>			
Interest received		<b>0</b>	30,438
<b>Net cash inflow from investing activities</b>		<b><u>0</u></b>	<u>30,438</u>
<b>Cash flows from financing activities</b>			
Funds drawn down from the National Lottery Distribution Fund (including transfer to 2012 Olympics)	8	<b>11,836,232</b>	9,712,462
<b>Net financing</b>		<b><u>11,836,232</u></b>	<u>9,712,462</u>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b><u>341,594</u></b>	<u>(217,681)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	10	<b>189,312</b>	406,993
<b>Cash and cash equivalents at the end of the period</b>	10	<b><u>530,906</u></b>	<u>189,312</u>

The notes on pages 23 to 36 form part of these financial statements.

## Statement of changes in Equity for the year ended 31 March 2010

	General Reserve £	NLDF Revaluation Reserve £	Total £
<b>Balance at 31 March 2008</b>	4,356,484	0	4,356,484
<i>Adjustments for</i>			
IAS 19 Employee Benefits	(12,662)	0	(12,662)
Transfer to NLDF Revaluation Reserve	(41,582)	41,582	0
<b>Restated balance at 1 April 2008</b>	<b>4,302,240</b>	<b>41,582</b>	<b>4,343,822</b>
<b>Changes in equity 2008-2009</b>			
Retained surplus	474,693	0	474,693
IAS 19 Employee Benefits	12,662	0	12,662
Transfer to NLDF Revaluation Reserve	(18,575)	18,575	0
<b>Total recognised income and expense for 2008-2009</b>	<b>468,780</b>	<b>18,575</b>	<b>487,355</b>
<b>Balance at 31 March 2009</b>	4,771,020	60,157	4,831,177
<b>Changes in equity for 2009-2010</b>			
Retained deficit	(5,740,362)	0	(5,740,362)
Net loss on revaluation of investment	0	(17,530)	(17,530)
<b>Total recognised income and expense for 2009-2010</b>	<b>(5,740,362)</b>	<b>(17,530)</b>	<b>(5,757,892)</b>
<b>Balance at 31 March 2010</b>	<b>(969,342)</b>	<b>42,627</b>	<b>(926,715)</b>

The notes on pages 23 to 36 form part of these financial statements.

# Notes to the Accounts – 31 March 2010

## 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 the Department of Culture, Arts and Leisure (a copy of which is attached to the end of these financial statements).

The financial statements have been prepared in accordance with the 2009-2010 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 convention modified to account for the revaluation of property, plant and equipment.

### b Property, plant and equipment

Depreciated historical cost has been used as a proxy for fair value for all non-current assets. This basis for valuation has been adopted in accordance with FReM (Section 6.2.8h) as all currently held assets have both short useful lives and low values.

The minimum level for capitalisation as an individual or grouped non-current asset is £1,000. Items below the threshold of £1,000 are written off to the Net Expenditure Account. There have been no additions to the fixed asset register during the 2009-2010 year. Premises overheads incurred and assets capitalised by the Arts Council of Northern Ireland have been recharged to the Lottery Distribution Account and are included within the administration recharge.

### c Depreciation

Depreciation has been provided using the straight line method so as to write each asset off over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

The rates of depreciation in use are as follows

#### Information Technology

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

### 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 Culture, Media and Sport. However, the share of these balances attributable to the Arts Council of Northern Ireland is as shown in the accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Media and Sport 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 the Department of Culture, Arts and Leisure, 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.

*f Transfer to 2012 Olympics*

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

*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 signed on the 3 March 2010.

Recharges for the 2009-2010 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 44 per cent.

The only exception to this is the staff costs in relation to two members of staff who work in Re-Imaging and whose work relates solely to Lottery. Therefore the salary costs for the two relevant employees are recharged at 100 per cent to Lottery.

*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 2010.

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 Net Expenditure Account so as to recognise the cost of pensions over the employees' working lives.

*i Operating income*

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

*j Financial instruments*

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

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

*k Staff costs*

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

## 2 First-time adoption of IFRS

*a Reconciliation of UK GAAP reported equity to IFRS at the date of transition 1 April 2008*

	General Reserve	NLDF Revaluation Reserve	Total
	£	£	£
Equity at 31 March 2008 under UK GAAP	4,356,484	0	4,356,484
<i>Adjustments for</i>			
IAS 19 Employee Benefits	(12,662)	0	(12,662)
Transfer to NLDF Revaluation Reserve	(41,582)	41,582	0
<b>Equity at 1 April 2008 under IFRS</b>	<b><u>4,302,240</u></b>	<b><u>41,582</u></b>	<b><u>4,343,822</u></b>

*b Reconciliation of UK GAAP reported equity to IFRS at the end of final UK GAAP reporting period 31 March 2009*

	General Reserve	NLDF Revaluation Reserve	Total
	£	£	£
Equity at 31 March 2009 under UK GAAP	4,831,177	0	4,831,177
<i>Adjustments for</i>			
Transfer to NLDF Revaluation Reserve	(60,157)	60,157	0
<b>Equity at 1 April 2009 under IFRS</b>	<b><u>4,771,020</u></b>	<b><u>60,157</u></b>	<b><u>4,831,177</u></b>

*c Reconciliation of UK GAAP reported net income to IFRS for year ended 31 March 2009*

	£
Net income for 2008-2009 under UK GAAP	474,693
<i>Adjustments for</i>	
IAS 19 Employee Benefits	12,662
Transfer to NLDF Revaluation Reserve	(18,575)
<b>Net income for 2008-2009 under IFRS</b>	<b><u>468,780</u></b>

In addition to the cash balance of £189,312 reported under UK GAAP at 31 March 2009, the Arts Council of Northern Ireland Lottery Distribution Account held cash equivalents of £15,309,776. These were reported under UK GAAP as investments.

### 3 Staff numbers and related costs

Staff costs comprise

	Total £	Permanently employed Staff £	Others £	Restated 2008-2009 £
Wages and salaries	701,523	578,450	123,073	479,766
Social security costs	47,377	38,552	8,825	32,096
Other pension costs	184,975	164,330	20,645	116,915
Agency costs	20,648	0	20,648	33,074
<b>Total</b>	<b>954,523</b>	<b>781,332</b>	<b>173,191</b>	<b>661,851</b>

Total staff costs for the year amounted to £954,523. Of this £1,705 was incurred directly by the Lottery Distribution Account and £952,818 was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account. The staff costs were recharged to the Lottery Distribution Account on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Council. The table below gives a breakdown of the average number of full time equivalent staff employed by the Arts Council during the year

	Total	Permanently employed Staff	Others	2008-2009
Directly employed	60	45	15	54
Staff engaged on capital projects	1	1	0	0
	61	46	15	54
Agency Staff	1	0	1	2
<b>Total</b>	<b>62</b>	<b>46</b>	<b>16</b>	<b>56</b>

#### *Pension contributions*

The NILGOSC Scheme is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2009-2010 the contribution rates were 16 per cent employers and ranging between 5.5 per cent and 7.5 per cent employees (2008-2009: 16 per cent employers and 6 per cent employees).

#### *Chief Executive's Remuneration*

The Chief Executive's remuneration, including backdated pay awards, during the year was £84,556 (2008-2009: £76,733). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £48,363 (2008-2009: £24,956) of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities and expenses. This amount is included in the staff costs recharge to the Lottery Distribution fund noted above.

#### *Board Members' Honoraria*

No emoluments were paid to members of the Board of the Arts Council except for Honoraria to the Chairman and Vice Chairman. The 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 2009-2010 was £14,050 (2008-2009: £14,082). This includes £550 of employer's National Insurance Contributions. £6,182 (2008-2009: £3,521) of this is included in the Staff Cost recharge above of £952,818.

The actual amounts received by the Chairman and Vice Chairman are detailed below

	Chairman £	Vice Chairman £
R Kelly	10,000	
D Coyle		3,500

No emoluments were paid to other Board members in respect of Lottery activities. The Council does not pay any pension contributions on behalf of the Chairman and Vice Chairman. These individuals are not included, therefore, in the pension note below.

#### *Pension Commitments*

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 71 (2008-2009: 63) employees during the year (not all 71 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 2010 the Arts Council contributed 16 per cent (2008-2009: 16 per cent) of gross salary.

The latest actuarial valuation of the scheme was carried out at 31 March 2010. The financial assumptions used by the actuary were

<b>Main assumptions</b>	<b>2010</b> %	2009 %	2008 %
Inflation/pension increase rate	3.8	3.1	3.6
Salary increase rate	5.3	4.6	5.1
Expected return on assets	7.2	6.5	3.6
Discount rate	5.5	6.9	6.9 (3.2)

The market value of the Arts Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2010 was £7.722m (2008-2009: £5.372m) and the present value of the Council's share of the scheme liabilities was £12.426m (2008-2009: £7.432m). The Council's share of the Scheme recorded net pension liabilities of £4.704m at 31 March 2010 (31 March 2009 £2.060m). 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 £184,975 (2008-2009 Restated: £116,915).

**4 Other Expenditure**

	Total £	Direct £	Recharge £	2008-2009 £
ACNI admin apportionment	250,368	0	250,368	325,564
Awards for all administration	3,657	3,657	0	46,688
NI screen administration	38,184	38,184	0	44,583
Re-imaging communities administration	24,182	24,182	0	0
Audit fees	27,500	27,500	0	23,000
Consultancy – living and working conditions of artists	17,625	17,625	0	0
External monitoring	2,360	2,360	0	9,380
Printing and design	6,295	6,295	0	356
Sundries	0	0	0	30
<b>Total</b>	<b>370,171</b>	<b>119,803</b>	<b>250,368</b>	<b>449,601</b>

Of the total operating expenses of £370,171 an amount of £250,368 (2008-2009: £325,564) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £250,368 (2008-2009: £325,564) administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Council from which the Lottery benefited indirectly. The apportionment was made at full economic cost and calculated on appropriate bases.

The total audit fees of £27,500 (2008-2009: £23,000) represents the external audit fee charged by the National Audit Office.

**5 Income**

	2009-2010 £	2008-2009 Restated £
<b>NLDF income</b>		
Investment income	49,110	273,503
Realised Gain/(loss) on investment	6,891	0
Lottery investment returns	56,001	273,503
Proceeds from lottery ticket sales	6,908,862	5,829,476
<b>Total NLDF income</b>	<b>6,964,863</b>	<b>6,102,979</b>
<b>Other income</b>		
Bank interest	17	24,962
Grants refunded	16,564	53,090
NI screen recoupment	17,634	64,722
Awards for all recoupment	9,700	0
<b>Total other income</b>	<b>43,915</b>	<b>142,774</b>
<b>Total income</b>	<b>7,008,778</b>	<b>6,245,753</b>



**6 Property, plant and equipment**

	Information Technology £	Furniture and Fittings £	Total £
<b>Cost</b>			
At 1 April 2009	8,316	3,582	11,898
Additions	0	0	0
Disposals	0	0	0
<b>At 31 March 2010</b>	<b>8,316</b>	<b>3,582</b>	<b>11,898</b>
<b>Depreciation</b>			
At 1 April 2009	8,316	3,372	11,688
Charged in year	0	210	210
Disposals	0	0	0
<b>At 31 March 2010</b>	<b>8,316</b>	<b>3,582</b>	<b>11,898</b>
<b>Net book value at 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net book value at 31 March 2009	0	210	210

	Information Technology £	Furniture and Fittings £	Total £
<b>Cost</b>			
At 1 April 2008	8,316	3,582	11,898
Additions	0	0	0
Disposals	0	0	0
<b>At 31 March 2009</b>	<b>8,316</b>	<b>3,582</b>	<b>11,898</b>
<b>Depreciation</b>			
At 1 April 2008	8,316	3,014	11,330
Charged in Year	0	358	358
Disposals	0	0	0
<b>At 31 March 2009</b>	<b>8,316</b>	<b>3,372</b>	<b>11,688</b>
<b>Net book value at 31 March 2009</b>	<b>0</b>	<b>210</b>	<b>210</b>
Net book value at 31 March 2008	0	568	568

**7 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 2009-2010, £6.9m or 98.57 per cent (2008-2009 Restated: 93.34 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, £56,000 or 0.80 per cent (2008-2009 Restated: 4.38 per cent), and from Bank Interest and Sundry Income, £44,000 or 0.63 per cent (2008-2009 Restated: 2.29 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 £11.1m as well as forecasted NLDF income to cover all current contracted commitments of £12m. 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 financial position date the Market Value of investment in the National Lottery Distribution Fund was £10.4m. In the year the rate of return declared by NLDF was 0.58 per cent per annum, with the average return on these investments being 0.42 per cent (2008-2009: 1.68 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 (2008-2009: 3.23 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 £530,906 (2008-2009: £189,312). 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.

**8 Reconciliation of Movement in National Lottery Distribution Fund**

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

In February 2008, a Statutory Instrument (SI 2008 No. 255 the Payments into the Olympic Lottery Distribution Fund etc Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675m arising from the subsequent budget review. ACNI was committed to contribute up to £1.989m in the original bid and this order allows for the transfer of up to a further £2.525m. It has been agreed with the Department for Culture, Media and Sport that the transfers will take place quarterly. The first transfer of funds took place on the 1 February 2009 when ACNI contributed £303,718. During the 2009-2010 financial year the Arts Council has contributed a further £1,214,872 by way of quarterly transfers. The Arts Council is therefore committed to pay the balance of £3m over the years 2010-2011 to 2012-2013.

The closing market value of investments held at 31 March 2010 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £10,420,877 (2008-2009: £15,309,776).

As specified in the Lottery Accounts Direction, issued by the Department of Culture, Arts and Leisure, 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**

	<b>31 March 2010</b>	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Proceeds from Lottery	<b>6,908,862</b>	5,829,476	5,611,026
Investment income	<b>49,110</b>	273,503	424,456
Drawn down in year by Arts Council	<b>(10,621,360)</b>	(9,408,744)	(10,804,725)
Transfer to 2012 Olympics	<b>(1,214,872)</b>	(303,718)	0
Total decrease in Funds	<b>(4,878,260)</b>	(3,609,483)	(4,769,243)
Realised gain/(loss) on investment	<b>6,891</b>	0	0
Movement in Revaluation Reserve	<b>(17,530)</b>	18,575	41,582
Balance as at 1 April	<b>15,309,776</b>	18,900,684	23,628,345
Balance as at 31 March	<b>10,420,877</b>	15,309,776	18,900,684

**9a Trade receivables and other current assets**

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	£	£	£
<b>Amounts falling due within one year</b>			
Bank interest	<b>17</b>	5,569	11,045
Prepayments and accrued income	<b>168,061</b>	191,245	167,448
	<b>168,078</b>	196,814	178,493

Other Current Assets includes £28,086 (31 March 2009: Nil, 1 April 2008: £4,439) in respect of a reimbursement to the Lottery Distribution Account from the Arts Council of Northern Ireland in respect of services rendered.

**9b Trade receivables and other current assets – Intra-Government Balances**

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	£	£	£
Central Government	<b>28,086</b>	0	25,214
Local authorities	<b>0</b>	53,061	0
Other public bodies	<b>139,992</b>	143,753	149,303
Intra Government debtors	<b>168,078</b>	196,814	174,517
Bodies external to government	<b>0</b>	0	3,976
	<b>168,078</b>	196,814	178,493

**10 Cash and cash equivalents**

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	£	£	£
Balance at 1 April	<b>189,312</b>	406,993	1,277,224
Net change in cash and cash equivalent balances	<b>341,594</b>	(217,681)	(870,231)
Balance at 31 March	<b>530,906</b>	189,312	406,993
The following balances at 31 March were held at			
Commercial banks and cash in hand	<b>530,906</b>	189,312	406,993
Balance at 31 March	<b>530,906</b>	189,312	406,993

**11a Trade payables and other current liabilities**

	<b>31 March 2010</b>	31 March 2009	Restated 1 April 2008
	£	£	£
<b>Amounts falling due within one year</b>			
Trade payables	<b>0</b>	0	55,733
Accruals and deferred income	<b>290,609</b>	432,804	270,127
Trade and other payables	<b>290,609</b>	432,804	325,860
Grant hard commitments (Note 12)	<b>9,460,967</b>	8,042,938	10,683,205
	<b>9,751,576</b>	8,475,742	11,009,065
<b>Amounts falling due after more than one year</b>			
Grant hard commitments (Note 12)	<b>2,295,000</b>	2,389,193	4,133,851

Other Current Liabilities includes £266,466 (31 March 2009: £179,534, 1 April Restated: £97,022) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

**11b Trade payables and other current liabilities – Intra-Government Balances**

	<b>31 March 2010</b>	31 March 2009	Restated 1 April 2008
	£	£	£
<b>Amounts falling due within one year</b>			
Central Government	<b>266,466</b>	179,535	182,090
Local authorities	<b>1,172,613</b>	2,195,677	3,084,269
Other public bodies	<b>443,767</b>	844,600	1,851,522
Intra government payables	<b>1,882,846</b>	3,219,812	5,117,881
Bodies external to government	<b>7,868,730</b>	5,255,930	5,891,184
	<b>9,751,576</b>	8,475,742	11,009,065
<b>Amounts falling due after more than one year</b>			
Central Government	<b>0</b>	0	0
Local authorities	<b>0</b>	0	1,028,787
Other public bodies	<b>0</b>	0	192,226
Intra government payables	<b>0</b>	0	1,221,013
Bodies external to government	<b>2,295,000</b>	2,389,193	2,912,838
	<b>2,295,000</b>	2,389,193	4,133,851

**12 Grant commitments**

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	£	£	£
<b>Soft commitments</b>			
a Soft commitments brought forward	<b>335,406</b>	87,000	4,289,527
b Soft commitments transferred to hard commitments	<b>(11,190,696)</b>	(4,800,035)	(8,070,984)
c Soft de-commitments	<b>(21,240)</b>	(38,780)	(140,936)
d Soft commitments made in year	<b>11,068,091</b>	5,087,221	4,009,393
e Soft commitments carried forward	<b>191,561</b>	335,406	87,000
<b>Hard commitments</b>			
a Hard commitments brought forward	<b>10,432,131</b>	14,817,056	19,209,752
b Hard commitments met in year	<b>(8,885,528)</b>	(8,746,370)	(11,018,075)
c Hard de-commitments	<b>(981,332)</b>	(438,590)	(1,445,605)
d Hard commitments made	<b>11,190,696</b>	4,800,035	8,070,984
e Hard commitments carried forward	<b>11,755,967</b>	10,432,131	14,817,056
<b>Profile of hard commitments over the next five years</b>			
Amounts falling due during 2008-2009	<b>0</b>	0	10,683,205
Amounts falling due during 2009-2010	<b>0</b>	8,042,938	2,733,851
Amounts falling due during 2010-2011	<b>9,460,967</b>	2,070,993	1,160,000
Amounts falling due during 2011-2012	<b>2,045,000</b>	318,200	240,000
Amounts falling due during 2012-2013	<b>250,000</b>	0	0
Amounts falling due during 2013-2014	<b>0</b>	0	0
Amounts falling due during 2014-2015	<b>0</b>	0	0
	<b>11,755,967</b>	10,432,131	14,817,056
<b>Total grant commitments carried forward</b>			
Soft	<b>191,561</b>	335,406	87,000
Hard	<b>11,755,967</b>	10,432,131	14,817,056
	<b>11,947,528</b>	10,767,537	14,904,056

Current contracted commitments total £12m. The Council considers that it has sufficient liquid resources within the NLDF and cash balances of £11.1m 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 2014-2015.

### 13 Public/private grant payment analysis

During the financial year 2009-2010, in accordance with the requirements of FReM section 5.4.40, grants paid according to the following definitions were

	<b>31 March 2010</b>	31 March 2009	1 April 2008
	£	£	£
Central Government	<b>0</b>	0	0
Local authorities	<b>950,780</b>	1,884,108	2,690,792
Other public bodies	<b>668,762</b>	1,198,222	1,740,413
Intra government payments	<b>1,619,542</b>	3,082,330	4,431,205
Payments to bodies external to government	<b>7,265,986</b>	5,664,040	6,586,870
<b>Total payments (Note 12)</b>	<b>8,885,528</b>	8,746,370	11,018,075

### 14 Capital commitments

There were no capital commitments as at 31 March 2010 (31 March 2009: Nil, 1 April 2008: Nil).

### 15 Contingent liabilities

In February 2008, a Statutory Instrument (SI 2008 No 255 the Payments into the Olympic Lottery Distribution Fund etc Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675m arising from the subsequent budget review. ACNI was committed to contribute up to £1.989m in the original bid and this order allows for the transfer of up to a further £2.525m. It has been agreed with the Department for Culture, Media and Sport that the transfers will take place quarterly.

The first transfer of funds took place on the 1 February 2009 when ACNI contributed £303,718. During the 2009-2010 financial year the Arts Council has contributed a further £1,214,872 by way of quarterly transfers. The Arts Council is therefore committed to pay the balance of £3m over the years 2010-2011 to 2012-2013.

### 16 Losses and special payments

There were no losses or special payments during the year which required disclosure in the accounts (31 March 2009: Nil, 1 April 2008: Nil).

### 17 Related party transactions

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

The Lottery Account operations of the Arts Council of Northern Ireland are funded from the National Lottery Fund through the Department for Culture, Media and Sport (DCMS). DCMS is regarded as a related party. During the year the Council has had various material transactions with DCMS.

The Arts Council of Northern Ireland Account is also regarded as a related party to this account. At 31 March 2010 a net amount of £238,380 (2008-2009: £179,534) was owed by the National Lottery Distribution Account in respect of salary and other administrative costs incurred.

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

<b>Grant Reference</b>	<b>Organisation Name</b>	<b>Grant Amount</b>	<b>Nature of the Relationship</b>
ACNI/4829	Armagh City and District Council, Market Place Theatre	12,600	ACNI board member (Tony Kennedy) is a member of the Market Place Theatre's Advisory Committee  ACNI staff member (Sonya Whitefield) former member of Market Place Theatre's Visual Arts Panel
ACNI/4702	Arts Care	51,355	ACNI board member (Brian Sore) is a member of Arts Care committee
ACNI/5232	ArtsEkta	40,000	ACNI board member (Janine Walker) is a former board member of ArtsEkta  ACNI staff member (Debbie Young) is a personal friend of Vice Chair of ArtsEkta
ACNI/4471	ArtsEkta	5,000	ACNI board member (Janine Walker) is a former board member of ArtsEkta  ACNI staff member (Debbie Young) is a personal friend of Vice Chair of ArtsEkta
ACNI/5306	Belfast Philharmonic Society	24,000	ACNI staff member (Diane Forsythe) is a member of Belfast Philharmonic Society
ACNI/4339	Camerata Ireland	10,000	ACNI board member (Bill Montgomery) is a former Director
ACNI/4607	Camerata Ireland	50,000	ACNI board member (Bill Montgomery) is a former Director
ACNI/5273	Cathedral Quarter Arts Festival	45,000	ACNI board member (David Irvine) is a former mentor to a board member of the Cathedral Quarter Arts Festival
ACNI/4521	Cookstown District Council (Burnavon)	10,000	ACNI board member (Damien Coyle) has a cousin who is a member of Cookstown District Council
ACNI/5235	Down Community Arts	25,000	ACNI board member (Janine Walker) is also a board member of Down Community Arts
ACNI/4592	Headliners	20,900	ACNI staff member (Fiona MacMillan) is on the advisory board of Headliners
ACNI/5170	Kabosh Theatre Ltd	15,424	ACNI board member (Damien Coyle) is a former Chair of Kabosh Theatre Ltd
ACNI/3698	Kabosh Theatre Ltd	45,000	ACNI board member (Damien Coyle) is a former Chair of Kabosh Theatre Ltd
ACNI/4030	Moving on Music	5,000	ACNI board member (David Irvine) is the Chair of Board of Moving on Music
ACNI/5241	Moving on Music	26,411	ACNI board member (David Irvine) is the Chair of Board of Moving on Music

ACNI/4520	Old Museum Arts Centre	5,000,000	ACNI board member (Damien Coyle) is a former Acting Director of Old Museum Arts Centre  ACNI staff member (Kathryn Young) former employee of Old Museum Arts Centre
ACNI/4703	Old Museum Arts Centre	32,000	ACNI board member (Damien Coyle) is a former Acting Director of Old Museum Arts Centre  ACNI staff member (Kathryn Young) former employee of Old Museum Arts Centre
ACNI/5271	Spanner in the Works	17,014	ACNI board member (Janine Walker) is co-founder of the organisation
ACNI/4663	Ulster Orchestra Society Ltd	100,000	ACNI board member (Raymond Fullerton) is a committee member of Friends of the Ulster Orchestra  ACNI board member (Eithne Benson) has a sister on the board of the Ulster Orchestra
ACNI/4597	Ulster Youth Choir	14,270	ACNI board member (Raymond Fullerton) is also a board member of Ulster Youth Choir
ACNI/5193	Ulster Youth Choir	27,745	ACNI board member (Raymond Fullerton) is also a board member of Ulster Youth Choir
ACNI/4615	Wheelworks	21,940	ACNI staff member (Fionnuala Walsh) former member of Wheelworks Arts Advisory Panel

A member of the Board of the Arts Council is employed by Marsh Ltd who provides insurance services to ACNI. For the 2009-2010 year £12,207 was recharged to the Lottery Distribution Account in relation to insurance services provided by Marsh Ltd.

### 18 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 Lottery Distribution Fund since 31 March 2010.

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.



## Lottery Accounts Direction given by the Department of Culture, Arts and Leisure, with the Approval of the Secretary of State for Culture, Media and Sport, in Accordance with Section 35(3) of the National Lottery etc Act 1993

- 1 The annual accounts shall give a true and fair view of the income and expenditure and cash flows of Arts Council of Northern Ireland (ACNI), in respect of its National Lottery distribution activities, for the financial year, and the state of affairs at the year end. Subject to this requirement, ACNI shall prepare accounts for the financial year ended 31 March 2010, and subsequent financial years in accordance with
  - a the version of the Government Financial Reporting Manual (FReM) which is in force for the financial year for which accounts are being prepared;
  - b other guidance which HM Treasury (HMT)/DFP may issue from time to time in respect of accounts which are required to give a true and fair view; and
  - c any other specific disclosures required by the Department or the Secretary of State;except where agreed otherwise with HMT, in which case the exception shall be described in the Notes to the accounts.
- 2 Clarification of the application of the accounting and disclosure requirements of the Companies Act, and additional disclosure requirements are set out in Schedules 1 and 2 attached.
- 3 All changes in accounting policies shall be discussed and agreed with the Department, HMT, DFP and the NIAO before implementation.
- 4 The Annual Report, the Statement of Accounting Officer's Responsibilities, Statement on Internal Control and Statement of Financial Position shall be signed by the Accounting Officer and dated.
- 5 A reference should be made in the accounts stating where a copy of the Accounts Direction can be obtained.

Signed by the Permanent Secretary for the Department of Culture, Arts and Leisure.

*Rosalie Flanagan*  
19 July 2010

# Schedule 1

## Application of the Accounting and Disclosure Requirements of the Companies Act and Accounting Standards

### Companies Act

- 1 ACNI is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act.

### Additional disclosure requirements

The following paragraphs detail the non-standard accounting policies, any special treatment needed, and any additional disclosure requirements as agreed by the Department, HMT, DFP and ACNI, in respect of its National Lottery distribution activities, over and above those disclosures required in the new government Financial Reporting Manual (FReM).

- 2 The **Annual Report** shall, *inter alia*
  - a include a note reflecting the organisational structure of ACNI.
- 3 The **Net Expenditure Account** shall show, *inter alia*
  - a the total amount of Lottery proceeds receivable, split between the share of Lottery proceeds, and the investment income from the National Lottery Distribution Fund;
  - b any other income (detailed between bank interest, recoveries of grant and other income);
  - c the total amount of new Lottery grants made in the period (i.e. amounts awarded, which give rise to a hard commitment as defined at 7(b) below);
  - d any de-commitments previously recorded as Hard Commitments; and
  - e the total expenses incurred by the body in respect of its National Lottery distribution activities, separately identifying direct costs and costs initially incurred elsewhere in the organisation and apportioned to the National Lottery distribution activity. The calculation of the costs to ACNI's National Lottery activities will be on a full cost recovery basis as described in HM Treasury's *Managing Public Money* document (Chapter 6, Fees, Charges and Levies) and should cover all costs that are directly and demonstrably related to Lottery activities.
- 4 The **Statement of Financial Position** shall show, *inter alia*
  - a under the heading 'Current assets': shown as an investment the balance held on behalf of the body at the National Lottery Distribution Fund;
  - b Hard Commitments falling due for payment within one year should be disclosed under the heading 'Current Liabilities'.
  - c Hard Commitments falling due for payment after more than one year should be disclosed under the heading 'Non-Current Liabilities'; (see note 7 below on commitments); and
  - d under the heading 'Represented by'
    - i the balance on the Net Expenditure Account, including other reserves, such as revaluation and donation reserves.
- 5 The **Statement of Cash Flow** shall use the indirect method when presenting 'Cash flow from Operating Activities'

6 The **Statement of Changes in Taxpayers Equity** shall show the movement in reserves such as general fund, revaluation reserve and donation reserve.

7 The **Notes to the Accounts** shall, *inter alia*, include

- a a statement that the Accounts have been prepared in a form directed by the Secretary of State with the consent of DFP in accordance with Section 35(3) of the National Lottery etc Act 1993;
- b a statement of the accounting policies. This must include a statement explaining the nature of the balances held on the body's behalf in the National Lottery Distribution Fund as follows  

'Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to ACNI is as shown in the Accounts and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by the body in respect of current and future commitments;'
- c an accounting policies note stating the basis of apportionment for the re-charge of Lottery related indirect costs;
- d an analysis of the income and expenditure;
- e the amounts 'committed in respect of capital expenditure for administrative purposes'; and 'amounts authorised in respect of capital expenditure for administrative purposes but not contracted';
- f the Notes to the accounts shall include a note indicating the form of control exercised by ACNI over all its trading companies and trust funds; and
- g the amounts committed in respect of National Lottery grants split between hard and soft commitments identifying the amount falling due (see note 8 below). Where these commitments exceed available resources shown on the Statement of Financial Position, there should also be a note explaining the rationale for the over-commitment in terms of the benchmark being applied and the assumptions behind it, taking into account any advice received from the Department as appropriate.

8 The nature of the Distributing Bodies' Lottery activities means that they will be making commitments for future expenditure which will need to be shown in the annual financial statements. Commitments should be categorised and shown as follows

a Soft commitments

These will occur when there is agreement in principle by ACNI to fund a scheme. Once a formal offer and acceptance of the terms and conditions of the grant has been concluded this will become a hard commitment. The total of soft commitments will be shown in a note to the Statement of Financial Position. Changes in soft to hard commitments which arise after the accounting year end and before publication of the Accounts will not be adjusting events in terms of IAS 10 (Events after the balance sheet date). A tabulation should accompany the Notes to the Accounts and show

- i Soft commitments brought forward;
- ii Soft commitments transferred to hard commitments;
- iii Soft de-commitments;
- iv Soft commitments made;
- v Balance of soft commitments outstanding carried forward.

b Hard commitments

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and that the National Lottery continues to operate. For the purposes of recording a charge in the Net Expenditure

Account, a hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by ACNI and accepted in writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met.

A tabulation should accompany the Notes to the Accounts and show

- i Hard commitments brought forward;
  - ii Hard commitments met in the last year;
  - iii Hard de-commitments (withdrawal of an offer);
  - iv Hard commitments made;
  - v Balance of hard commitments outstanding carried forward; and
  - vi A breakdown of hard commitments for each year up to and including 5 years and over 5 years.
- c De-commitments
- i Soft commitments

If a soft commitment fails to become hard for any reason and there is no prospect of a formal offer letter being issued and accepted then the soft commitment should be deleted from ACNI records. It will be shown in the table accompanying the notes to the Statement of Financial Position in the soft de-commitments line.

- ii Hard commitments

Should a hard commitment fail to become a cash payment within the expected time frame, and there is little possibility of it crystallising, ACNI may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Net Expenditure Account, and disclosed separately as follows

Expenditure	£000
Grant commitments made in year	xxx
Less lapsed and revoked commitments	<u>(xxx)</u>
	xxx

The table in the Notes to the Accounts will correspondingly be reduced.

- b Repayments

The circumstances of a grant repayment are as described in the Statement of Financial Requirements. A repayment will not affect commitment unless the payment is part of a phased scheme for which commitments for later phases have been included in the Statement of Financial Position. A repayment will be reflected as an adjustment in the Net Expenditure Account. If a repayment occurs after the year end but before the Accounts have been signed by ACNI Accounting Officer, and is material, it will be necessary to treat the repayment as an adjusting event in terms of IAS 10. These adjusting events should be agreed on a case by case basis with the NIAO.

- c Balances at the NLDF

A note reconciling the opening and closing balance of investments held at the NLDF should be included. This should disclose income received from the Lottery, investment in earned income, any unrealised loss on investment, and cash drawn down.

It is appropriate to classify NLDF investments as 'held for sale'. This is in line with the DCMS accounting policy.

Investments are to be 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.

## Schedule 2

### Accounting for compliance with provisions in the Management Statement, Financial Memorandum and Statement of Financial Requirements

- 1 This schedule, as agreed by DFP, the Department and ACNI, details how ACNI shall account for compliance with its Management Statement, Financial Memorandum and Statement of Financial Requirements.
- 2 The schedule's provisions will apply to those management statements, financial memoranda and Statement of Financial Requirements that are in force during the financial year.
- 3 The **Statement on Internal Control** (SIC) shall follow DCMS guidance on format and content. In addition to DFP requirements, the opening paragraph shall include explicit reference to systems to ensure compliance with the provisions of ACNI's Management Statement, Financial Memorandum and Statement of Financial Requirements. A suggested wording is  
  
'As Accounting Officer, I have responsibility for maintaining a sound system of internal control that
  - supports the achievement of ACNI's objectives whilst;
  - safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'; and
  - ensuring compliance with the requirements of ACNI'S Management Statement, Financial Memorandum and Statement of Financial Requirements.'
- 4 The SIC should also include coverage of the processes applied in reviewing the effectiveness of the system of internal control to ensure compliance with the requirements of ACNI's Management Statement, Financial Memorandum and Statement of Financial Requirements.

# 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

For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

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