

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

Arts Council of Northern Ireland Lottery Distribution Accounts 2007-2008

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

Arts Council of Northern Ireland Lottery Distribution Accounts 2007-2008

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 8 JULY 2009

The National Audit Office
scrutinises public spending
on behalf of Parliament.

The Comptroller and Auditor General,
is an Officer of the House of Commons.
He is the head of the National Audit Office
which employs some 900 staff.
He and the National Audit Office
are totally independent of Government.

He certifies the accounts of all Government
departments and a wide range of other public
sector bodies; and he has statutory authority
to report to Parliament on the economy, efficiency
and effectiveness with which departments and
other bodies have used their resources.

Our work leads to savings and other efficiency
gains worth many millions of pounds: at
least £9 for every £1 spent running the Office.

This account can be found on The Stationery Office's
web site at www.tsoshop.co.uk

© Crown copyright 2009

The text in this document may be reproduced
free of charge in any format or medium providing
it is reproduced accurately and not used in a misleading context.
The material must be acknowledged as Crown copyright
and the title of the document specified.

Where we have identified any third party copyright
material you will need to obtain permission from
the copyright holders concerned.

For any other use of this material please write to
Office of Public Sector Information, Information Policy Team,
Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk.

Contents

	Page
Directors' Report	2
Management Commentary	6
Remuneration Report	8
Statement of the Arts Council's and Accounting Officer's responsibilities	11
Statement on Internal Control	12
Certificate and Report of the Comptroller and Auditor General	14
Income and Expenditure Account	16
Statement of Total Recognised Gains and Losses	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Accounts	19

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 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).

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in accordance with sections 35(2) and 35(3) of the National Lottery etc. Act 1993 and accounts direction given by the Department of Culture, Arts and Leisure, with the approval of the Secretary of State for Culture, Media and Sport. DCAL issued revised Lottery Policy Directions to ACNI on 16 April 2008, a copy of which is attached to the end of these financial statements. From 16 April 2008 onwards, ACNI will observe the requirements of these revised directions when distributing funds from the National Lottery.

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 2008 is shown below.

Board

Ms Rosemary Kelly (Chairman)	Mr Damien Coyle (Vice-Chairman from 1 December 2007)
Mrs Eithne Benson	Ms Sharon O'Connor
Ms Kate Bond	Mr Joe Rice (from 1 December 2007)
Mr Raymond Fullerton	Prof Paul Seawright (from 1 December 2007)
Mr David Irvine (from 1 December 2007)	Mr Brian Sore (from 1 December 2007)
Mr Tony Kennedy	Mr Peter Spratt
Mr Bill Montgomery	Ms Janine Walker (from 1 December 2007)

Prof Ian Montgomery was appointed on 1 April 2008.

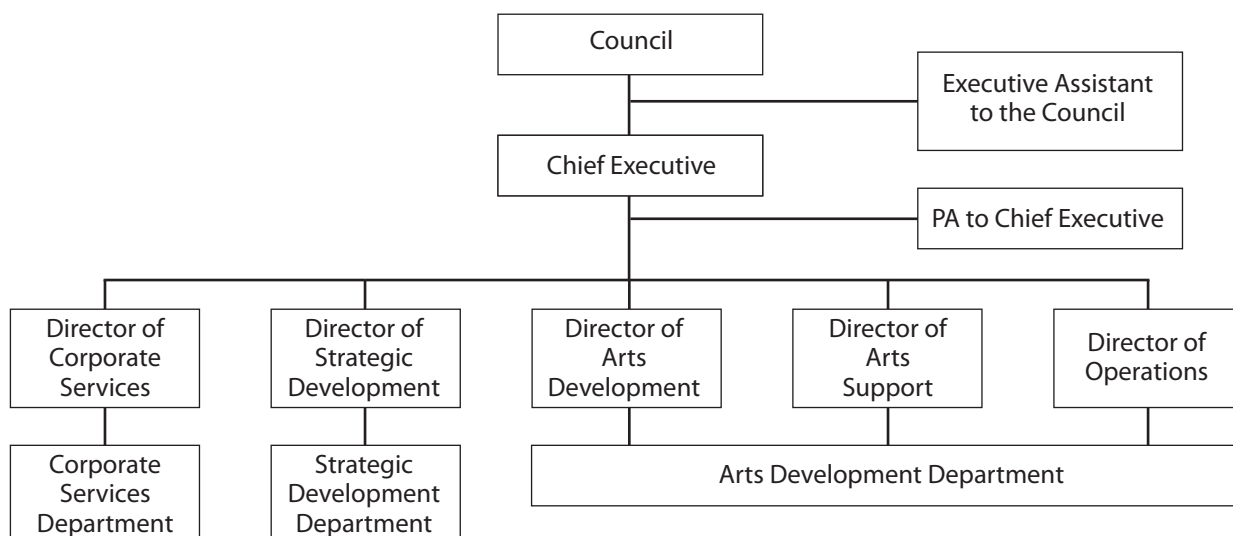
Mr Martin Bradley (former Vice-Chairman), Mr Tim Kerr, Ms Jill McEaney and Mr Gerry O'hEara retired on 31 November 2007. Ms Lucy Finnegan resigned on 6 March 2008.

The members of the Audit Committee for the year ended 31 March 2008 were Mr Tony Kennedy (Chairman), Mr Raymond Fullerton, Mr David Irvine (from 30 January 2008), Lucy Finnegan (resigned 6 March 2008), Mr Ciaran Doran (Co-opted Member) and Mr Ivor Johnston (Co-opted Member).

The members of the Lottery, Grants and Capital Committee for the year ended 31 March 2008 were Ms Kate Bond (Chairman), Mrs Eithne Benson, Prof Paul Seawright (from 30 January 2008), Mr Damien Coyle (from 30 January 2008), Mr Tony Kennedy (from 30 January 2008), Mr Gerry o'hEara (retired 31 November 2007) and Mr Tim Kerr (retired 31 November 2007).

Several members of the Board of the Arts Council, its Lottery, Grants and Capital Committee and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. These individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 16. All of the transactions relating to the organisations were conducted at arms length by the Board members and staff of the Arts Council.

Organisational Structure



Appointment of auditors

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

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

Policy on disabled persons

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

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

Pension Fund

All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £64,836 (2006-2007: £83,221).

The market value of the Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2008 was £6.982 million (2006-2007: £7.223 million) and the present value of the Council's share of the scheme liabilities was £7.617 million (2006-2007: £8.447 million). The Council's share of the Scheme recorded net pension liabilities at 31 March 2008 was £635,000 (31 March 2007: £1.224 million).

Employee consultation

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

Payment of suppliers

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

A review conducted at the end of the year to measure how promptly the Arts Council paid its bills found that 90 per cent of the bills were paid within this standard. The comparable figure for the previous year was 94 per cent paid within the standard.

Political and charitable donations

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

Equal opportunity policy

The Arts Council of Northern Ireland is an equal opportunities employer. Within the grant application process, applicants are required to demonstrate their commitment to equality of opportunity in all aspects of their work. In addition, the Council monitors all applications it receives in terms of Section 75 of the Northern Ireland Act 1998.

Management Commentary

Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Income and Expenditure Account. Total proceeds received from the National Lottery totalled £6,077,064.

During the year the Arts Council paid £11,018,075 to applicants. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £995,871 (excluding depreciation). This represents approximately 16 per cent of the total proceeds received in the year and 9 per cent of total funds drawn down.

Review of National Lottery distribution activities

During the year 2007-2008, 328 applications were received seeking grants of £7,790,576 across its main programmes. By the end of the year 185 grants had been awarded through the main programmes, receiving a total of £3,095,829. In addition, through Awards for All the Council made 91 awards totalling £558,417. NI Screen made 38 awards totalling £412,554 under its 3-year delegation agreement with the Arts Council. The Board continued to make awards under its Project Funding programme.

Significant changes in fixed assets

The movement on fixed assets is set out in note 6 to the financial statements. There were no significant changes during the year. The net book value of the fixed assets decreased from £926 to £568 following a depreciation charge of £358 for the year.

Retained funds at the year end

At the end of the year the Lottery Distribution Account showed a decrease in funds of £1,436,128. At the end of 2007-2008 the retained funds totalled £4,356,484 (2006-2007: £5,792,612). This amount will be carried forward to the 2008-2009 financial year and will be available for distribution.

Comment on NLDF balance policy

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

As at the 31 March 2008, Arts Council Lottery Account balances at NLDF totalled £18.9 million, down £4.7 million on the prior year – a decrease of 20 per cent. The target balance for the year was £17 million – representing a negative variance against target of £1.9 million. This is caused primarily by funds being set aside in relation to capital grant projects which did not materialise within the financial year 2007-2008, but for which a commitment needs to be maintained into the future.

The Council's hard and soft commitments totalled £14.9 million and it had balances of £18.9m held at NLDF and £0.4 million locally, leaving a free cash balance of circa £4.4 million.

Future developments in National Lottery distribution activities

In 2008-2009 and for the foreseeable future, due to reducing Lottery income, the Arts Council will no longer be able to offer any capital line. This includes new buildings, refurbishments, equipment or the very successful musical instruments for band scheme. The Arts Council will seek to fund these programmes from other sources.

During 2008-2009 the Arts Council will enter discussions with the other Lottery distributors regarding an alternative method of funding small grants which, for value for money reasons, may lead to the Arts Council introducing its own scheme rather than working through the current joint programme. During 2007-2008 the Board agreed that it can no longer offer 13 per cent of its annual income to NI Screen and has agreed a formula whereby NI Screen will receive 10 per cent of funds available in 2008-2009 reducing to eight per cent by 2010-2011.

Remuneration Report

Remuneration policy

All of the staff costs were incurred by the Arts Council of Northern Ireland and an appropriate amount was recharged to the Lottery Distribution Account. The staff costs were recharged to the Lottery Distribution Account on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Council.

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

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

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

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

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

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

R Kelly } (from 30 January 2008)
D Coyle }

B Montgomery } (from 30 January 2008)
B Sore }

Gerry O'hEara and } retired on 31 November 2007.
Martin Bradley }

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

Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook. In relation to the position of Roisin McDonough, Chief Executive, she was appointed on the 16 of October 2000. This position is permanent within the definition above as are the executive director positions.

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

Salary Entitlement – Senior Staff (Audited)

	2007-2008	2006-2007
	gross salary	gross salary
	£000	£000
R McDonough (Chief Executive)	65-70	75-80
P Hammond (Director of Arts Support)	45-50	45-50
N McKinney (Director of Arts Development)	45-50	40-45
P Burns (Director of Corporate Services)	45-50	40-45
N Livingston (Director of Strategic Development)	40-45	40-45
L McDowell (Director of Operations)	35-40	35-40

Salary

'Salary' includes gross salary; 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 above.

Arts Council pensions

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme and made contributions for 61 employees during the year (not all 61 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 2008 the Arts Council contributed 15 per cent of gross salary. The disclosure below represents the full employer pension costs before any recharge of costs is made to the Lottery fund.

	2007-2008	2006-2007
	£	£
Employer's	219,110	175,734

Pension Entitlement – Senior Staff (Audited)

	Pensionable earnings	Accrued pension	Real increase	Accrued lump sum	Real increase	CETV 31 March 2007	CETV 31 March 2008	Real increase
	£000	£000	£000	£000	£000	£000	£000	£000
R McDonough	65-70	21.6	.01	64.9	0.8	346.2*	368.5	17.6
P Hammond	45-50	20.3	1.1	60.8	3.2	289.6	321.9	28.3
N McKinney	45-50	12.1	1.1	36.6	3.3	147.9	174.5	22.0
P Burns	45-50	10.3	1.0	31.0	3.1	143.5	167.9	22.3
N Livingston	40-45	14.0	1.2	42.2	3.5	195.0	227.3	26.3
L McDowell	35-40	13.8	1.0	41.5	3.1	197.0	228.1	24.9

Cash Equivalent Transfer Values

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

* Due to certain factors being incorrect in last years CETV calculations there is a difference between the final period CETV for 2006-2007 for the Chief Executive and the starting CETV for 2007-2008.

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 19 March 2009
Chief Executive

Rosemary Kelly 19 March 2009
Chairman

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 in accordance with Section 35(3) of the National Lottery etc 1993 and accounts direction given by the Department of Culture, Arts and Leisure.

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

In preparing the financial statements the Council is required to

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

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

Roisín McDonough
Accounting Officer for the Council

19 March 2009

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of 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.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Arts Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. The organisation will at all times ensure that it meets its statutory reporting and regulatory obligations; that it is accountable to both its sponsoring department and, ultimately, to the public; and that it will maintain systems to protect, and ensure value-for-money in the use of, its resources in the meeting of its aims and objectives.

Capacity to handle risk

The identification and impact of risk is incorporated into the corporate planning and decision making processes of the Arts Council. Consequently the Arts Council ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on and are supplemented by detailed best practice guidelines on whistle-blowing and fraud management policies among others. The Board receives periodic reports concerning internal control and steps are taken to manage risks in significant areas of responsibility and monitor progress on key projects.

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

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

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

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

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

The risk and control framework

The Council had an Internal Audit Unit, provided by a shared internal post with Sports Council of Northern Ireland, which operated to standards defined in the Government Internal Audit Manual. In September 2008 DFP issued a report on their review of the internal audit provision for ACNI which identified a number of areas where arrangements could be enhanced to comply more fully with current best practice. ACNI have appointed new Internal Auditors from September 2008 and have implemented the recommendations noted in the report. The internal auditor submitted regular reports which included an opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement.

During the year the Council's grant monitoring procedures have been reviewed and amended in line with current guidelines to incorporate a more systems-based approach to grant monitoring activities. The rollout of these revisions continues to be monitored and further improvements or adaptations are ongoing, with both internal finance and internal audit expertise being availed of. I have been assured by my senior managers that the procedures continue to be developed to incorporate more sophisticated aspects such as multiple application fraud detection in line with policy and financial directions.

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

Review of effectiveness

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

The Internal Audit work-plan for 2007-2008 has been completed. The Annual Statement of Assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate in accordance with best practice guidelines. A limited level of assurance was given in relation to the areas of bacs, bank and cash and fixed assets. Any outstanding recommendations will be incorporated into work plans for the incoming financial year. In February 2008 ACNI commissioned a review of NI Screen procedures in respect of its delegated lottery distribution activities. The review identified weaknesses. ACNI has taken remedial action to address these weaknesses and enhanced procedures and monitoring arrangements have been implemented.

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

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

Roisín McDonough
Accounting Officer for the Council

19 March 2009

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

I certify that I have audited the financial statements of the Arts Council of Northern Ireland Lottery Distribution Account for the year ended 31 March 2008 under the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998). These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and Auditor

The Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and Department of Culture, Arts and Leisure directions made thereunder on behalf of the Secretary of State for Culture, Media and Sport. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Directors' Report, Management Commentary and Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Arts Council of Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

Audit opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport, of the state of the Arts Council of Northern Ireland Lottery Distribution Account's affairs as at 31 March 2008 and of its decrease in funds for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998) and directions made thereunder by the Department of Culture, Arts and Leisure on behalf of the Secretary of State for Culture, Media and Sport; and
- information given within the Annual Report, which comprises the Directors' Report, Management Commentary and Remuneration Report, is consistent with the financial statements.

Opinion on regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

1 April 2009

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

Income and Expenditure Account for the year ended 31 March 2008

	Notes	2007-2008 £	2006-2007 £
Proceeds from lottery ticket sales	2	5,611,026	5,628,905
Investment returns	2	466,038	1,185,222
Other Income	3	108,416	50,735
Total Income		<u>6,185,480</u>	<u>6,864,862</u>
New grants made in year	11	8,070,984	9,315,624
Grants decommitted in year	11	(1,445,605)	(846,356)
Staff costs: recharge	4	637,603	620,790
Depreciation	6	358	535
<i>Other operating costs</i>			
Direct costs	5	173,038	204,568
Recharge	5	185,230	257,947
Unrealised loss on NLDF investment	7	0	62,412
Total expenditure		<u>7,621,608</u>	<u>9,615,520</u>
Decrease in funds		<u>(1,436,128)</u>	<u>(2,750,658)</u>

Statement of Total Recognised Gains and Losses

	2007-2008 £	2006-2007 £
Decrease in funds	(1,436,128)	(2,750,658)
Total recognised gains and losses relating to the year	<u>(1,436,128)</u>	<u>(2,750,658)</u>

The notes on pages 19 to 28 form part of these financial statements.

Balance Sheet as at 31 March 2008

	Notes	2007-2008 £	2006-2007 £
Fixed assets			
Tangible Assets	6	<u>568</u>	<u>926</u>
Current assets			
Investments – Balance held in NLDF	7	18,900,684	23,628,345
Debtors	8	178,493	718,992
Cash at bank and in hand		<u>406,993</u>	<u>1,277,224</u>
		19,486,170	25,624,561
Creditors falling due within one year			
Grant hard commitments	9	(10,683,205)	(14,898,338)
Creditors and Accruals	9	<u>(313,198)</u>	<u>(623,123)</u>
		(10,996,403)	(15,521,461)
Net current assets		<u>8,489,767</u>	<u>10,103,100</u>
Total assets less current liabilities		8,490,335	10,104,026
Creditors falling due after one year			
Grant hard commitments	10	(4,133,851)	(4,311,414)
Total assets less total liabilities		<u>4,356,484</u>	<u>5,792,612</u>
Represented by			
<i>Reserves</i>			
General reserve	13	<u>4,356,484</u>	<u>5,792,612</u>

The notes on pages 19 to 28 form part of these financial statements.

Roisín McDonough
Accounting Officer for the Council

19 March 2009

Cash Flow Statement for the year ended 31 March 2008

	2007-2008 £	2006-2007 £
Operating activities		
Funds received from NLDF	10,804,725	15,459,371
Cash receipts	15,637	0
Grants paid*	(10,809,308)	(14,175,836)
Cash paid to ACNI – Recharge staff time and administrative costs	(798,531)	(878,737)
Other cash payments	(164,488)	(326,049)
Net cash (outflow)/inflow from operating activities	(951,965)	78,749
Return on Investment and Servicing of Finance		
Interest received	81,734	50,735
(Decrease)/increase in cash	(870,231)	129,484

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

Notes to the Cash Flow Statement

1 Reconciliation of movement in funds to net cash inflow from operations

	2007-2008 £	2006-2007 £
Decrease in funds	(1,436,128)	(2,750,658)
Decrease in charges	358	535
Interest receivable	(92,779)	(50,735)
Decrease in NLDF Investment	4,727,661	8,707,655
Decrease/(increase) in Debtors excluding bank interest	551,544	(503,375)
Decrease in Creditors < 1 year	(4,525,058)	(3,194,633)
Decrease in Creditors > 1 year	(177,563)	(2,130,040)
Net Cash (Outflow)/Inflow from operating activities	(951,965)	78,749

2 Reconciliation of net cash flow to movement in funds

Net Funds at 1 April	1,277,224	1,147,740
Net Funds at 31 March	406,993	1,277,224
(Decrease)/increase in cash	(870,231)	129,484

The notes on pages 19 to 28 form part of these financial statements.

Notes to the Accounts – 31 March 2008

1 Accounting policies

a Basis of accounting

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

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, Accounting Standards issued or adopted by the Accounting Standards Board and disclosure requirements issued by the Department of Finance and Personnel in so far as those requirements are appropriate.

b Tangible fixed assets

The minimum level for capitalisation as an individual or grouped fixed asset is £1,000. Fixed assets have not been revalued as current levels of assets held are not deemed to be significant. Items below the threshold of £1,000 are written off to the Income and Expenditure Account. Depreciation has been provided using the straight line method so as to write each asset off over its estimated useful life. Depreciation is charged in the year in which the asset is acquired; no depreciation is charged in the year in which the asset is disposed.

The rates of depreciation in use are as follows

Information Technology

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

c Pension costs

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

d Income

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

e Balances held in the National Lottery Distribution Fund

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

f Soft and hard commitments

A grant commitment is deemed to be a soft commitment once the Letter of Offer has been drawn up and sent to the grant client. The commitment then becomes a hard commitment once the grant client has sent back a Letter of Acceptance of the amount and terms of the grant award. The commitment will remain as hard provided the client continues to meet the conditions of grant.

g Recharge of staff costs and apportionment of other operating costs

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

2 Proceeds for Lottery ticket sales and investment returns

	2007-2008	2006-2007
	£	£
Proceeds from National Lottery ticket sales	5,611,026	5,628,905
Investment income	424,456	1,185,222
Unrealised gain on investment	41,582	0
	<u>6,077,064</u>	<u>6,814,127</u>

3 Other income

	2007-2008	2006-2007
	£	£
Bank interest	92,779	50,735
Other income	15,637	0
	<u>108,416</u>	<u>50,735</u>

4 Staff costs

	2007-2008	2006-2007
	£	£
Salaries: recharge	539,784	501,966
Social security costs	32,983	35,603
Other pension costs	64,836	83,221
	<u>637,603</u>	<u>620,790</u>

All of the staff costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account. The final internal audit bill and some temporary staff costs were charged direct to the Lottery Distribution Account. The staff costs were recharged to the Lottery Distribution Account on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Council. During the year the Arts Council employed an average of 55 full-time equivalent staff (2006-2007: 55). Temporary staff costs included in the above total of £637,603 amounted to £50,070 (2006-2007: £4,017).

Pension contributions

The NILGOSC Scheme is a defined benefits type, and the fund is invested in suitable investments, managed by the Committee. For 2007-2008 the contribution rates were 15 per cent employers and six per cent employees (2006-2007: 12.9 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 £67,659 (2006-2007: £77,768). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £22,263 (2006-2007: £24,458) 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

The Chairman and Vice-Chairman of the Board received honoraria totalling £13,689 (2006-2007: £12,378), including employer NIC costs, as follows:

	Chair	Vice Chair
	£	£
R Kelly	9,855	
M Bradley (retired 31 Nov 2007)		2,667
D Coyle (started 1 Dec 2007)		1,167

Of this amount £3,422 (2006-2007: £4,954) 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 Chair and Vice Chair. These individuals are not included, therefore, in the pension note below.

Pension commitments

The Arts Council participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) and made contributions for 61 employees during the year (not all 61 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 2008 the Arts Council contributed 15 per cent (2006-2007: 12.9 per cent) of gross salary.

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

The latest actuarial valuation of the scheme was carried out at 31 March 2008. The financial assumptions used by the actuary were:

Main assumptions	2008	2007	2006
Rate of return on investments per annum	3.6%	3.2%	3.1%
Rate of general increase in salaries per annum	5.1%	4.7%	4.6%
Rate of pension increases per annum	3.6%	3.2%	3.1%
Discount Rate Nominal/(Real)	6.9% (3.2%)	5.4% (2.1%)	6.0% (2.8%)

The market value of the Arts Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2008 was £6.982 million (2006-2007: £7.223 million) and the present value of the Council's share of the scheme liabilities was £7.617 million (2006-2007: £8.447 million). The Council's share of the Scheme recorded net pension liabilities of £635,000 at 31 March 2008 (31 March 2007 £1,224,000). All assets, liabilities and operating costs of the Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £64,836 (2006-2007: £83,221).

Contributions for all staff during the year based on the rates noted above were as follows – the disclosure below represents the full employer pension costs before any recharge of costs is made to the Lottery fund.

	2007-2008	2006-2007
	£	£
Employer's	219,110	175,734

5 Other operating costs

	Total	Direct	Recharge	2006-07
	£	£	£	£
ACNI administration apportionment	181,467		181,467	251,589
Film delegation administration	78,391	78,391		78,821
Awards for all administration	49,552	49,552		40,914
Audit fees	19,840	19,840		22,660
External monitoring	25,255	25,255		56,786
Printing and design				1,330
Travel	3,763		3,763	2,215
Research/reports				3,595
Sundries				4,605
	358,268	173,038	185,230	462,515

Of the total operating expenses of £358,268, an amount of £185,230 (2006-2007: £257,947) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £181,467 (2006-2007: £251,589) 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 £19,840 (2006-2007: £22,660) represents the external audit fee charged by the National Audit Office.

6 Tangible fixed assets

	IT Hardware	Furniture and Fittings	Total
	£	£	£
Cost			
At 1 April	24,473	3,582	28,055
Additions	0	0	0
Disposals/Write-offs	(16,157)	0	(16,157)
At 31 March	<u>8,316</u>	<u>3,582</u>	<u>11,898</u>
Depreciation			
At 1 April	24,473	2,656	27,129
Charge for year	0	358	358
Disposals/write-offs	(16,157)	0	(16,157)
At 31 March	<u>8,316</u>	<u>3,014</u>	<u>11,330</u>
Book value at 31 March 2008	<u>0</u>	<u>568</u>	<u>568</u>
Book value at 31 March 2007	<u>0</u>	<u>926</u>	<u>926</u>

7 Reconciliation of Movement in National Lottery Distribution Fund

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

In February 2008, a Statutory Instrument (SI 2008 No. 255 the Payments into the Olympic Lottery Distribution Fund etc Order 2008) was passed which allowed for the transfer of up to £1,085 million from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675 million arising from the subsequent budget review. ACNI was committed to contribute up to £1.989 million in the original bid and this order allows for the transfer of up to a further £2.525 million. The first transfer of funds is expected to take place on or after 1 February 2009 when ACNI will contribute up to £0.304 million.

The closing market value of investments held at 31 March 2008 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £18,900,684 (2006-2007: £23,628,345). The cost value of these investments was £18,859,101 (2006-2007: £23,911,980).

	2007-2008 £	2006-2007 £
Balances in NLDF		
Proceeds from Lottery	5,611,026	5,628,905
Investment income	424,456	1,185,222
Drawn down in year by Arts Council	(10,804,725)	(15,459,370)
Total decrease in funds	(4,769,243)	(8,645,243)
Unrealised gain/(loss) on investment	41,582	(62,412)
Balance as at 1 April	23,628,345	32,336,000
Balance as at 31 March	18,900,684	23,628,345

8a Debtors

	2007-2008 £	2006-2007 £
Bank interest	11,045	0
Prepayments and accrued income	167,448	718,992
	178,493	718,992

8b Debtors – Intra-Government balances

	2007-2008 £	2006-2007 £
Central Government	25,214	0
Local authorities	0	0
Other public bodies	149,303	718,992
Intra government debtors	174,517	718,992
Bodies external to government	3,976	0
	178,493	718,992

9a Creditor amounts due within one year

	2007-2008	2006-2007
	£	£
Trade and other creditors	55,733	623,123
Grant creditors (Note 11)	10,683,205	14,898,338
Accruals and deferred income	257,465	0
	<u>10,996,403</u>	<u>15,521,461</u>

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

	2007-2008	2006-2007
	£	£
Central Government	0	0
Local authorities	3,084,269	5,848,431
Other public bodies	2,020,950	567,034
Intra government creditors	5,105,219	6,415,465
Bodies external to government	5,891,184	9,105,996
	<u>10,996,403</u>	<u>15,521,461</u>

Creditors includes £84,360 (2006-2007: £84,572) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

10a Creditor amounts due after more than one year

	2007-2008	2006-2007
	£	£
Grant Creditors (Note 11)	4,133,851	4,311,414
	<u>4,133,851</u>	<u>4,311,414</u>

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

	2007-2008	2006-2007
	£	£
Central Government	0	0
Local authorities	1,028,787	1,215,473
Other public bodies	192,226	1,180,890
Intra government creditors	1,221,013	2,396,363
Bodies external to government	2,912,838	1,915,051
	<u>4,133,851</u>	<u>4,311,414</u>

11 Grant commitments

	2007-2008	2006-2007
	£	£
Soft commitments		
a Soft commitments brought forward	4,289,527	4,627,940
b Soft commitments transferred to hard commitments	(8,070,984)	(9,315,624)
c Soft de-commitments	(140,936)	(716,891)
d Soft commitments made in year	4,009,393	9,694,102
e Soft commitments carried forward	87,000	4,289,527
Hard commitments		
a Hard commitments brought forward	19,209,752	24,916,319
b Hard commitments met in year	(11,018,075)	(14,175,835)
c Hard de-commitments	(1,445,605)	(846,356)
d Hard commitments made	8,070,984	9,315,624
e Hard commitments carried forward	14,817,056	19,209,752
Profile of Hard Commitments over the next five years		
Amounts falling due during 2007-2008	0	14,898,338
Amounts falling due during 2008-2009	10,683,205	3,121,471
Amounts falling due during 2009-2010	2,733,851	1,081,477
Amounts falling due during 2010-2011	1,160,000	108,466
Amounts falling due during 2011-2012	240,000	0
	14,817,056	19,209,752
Total grant commitments carried forward		
Soft	87,000	4,289,527
Hard	14,817,056	19,209,752
	14,904,056	23,499,279

12 Public/private grant payment analysis

During the financial year 2007-2008, in accordance with the requirements of FReM section 7.4.39, grants paid according to the following definitions were

	2007-2008	2006-2007
	£	£
Central Government	0	0
Local authorities	2,690,792	3,596,559
Other public bodies	1,740,413	460,737
Intra government payments	4,431,205	4,057,296
Payments to bodies external to government	6,586,870	10,118,539
Total payments (Note 11)	11,018,075	14,175,835

13 General reserve

	2007-2008	2006-2007
	£	£
Balance at 1 April	5,792,612	8,543,270
Decrease in Funds	(1,436,128)	(2,750,658)
Balance at 31 March	<u>4,356,484</u>	<u>5,792,612</u>

14 Capital commitments

There were no capital commitments as at 31 March 2008.

15 Contingent liabilities

There are no contingent liabilities for the Arts Council of Northern Ireland Lottery Distribution Account.

16 Related party transactions

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

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

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.

Grant reference	Organisation name	Grant amount	Declared interest
ACNI/2550	Armagh City & District Council	70,000	Tony Kennedy, Jill McEaney
ACNI/2581	Arts Care	41,185	Jenny Gallon Brian Sore Andrea Rea
ACNI/2209	Arts Care	12,540	Jenny Gallon Brian Sore Andrea Rea
ACNI/2164	Belfast Philharmonic Society	11,482	Diane Forsythe
AC NI/2204	Big Telly Theatre Co	78,000	Jill McEaney
ACNI/2558	Cahoots NI Ltd	30,000	Jill McEaney
ACNI/2192	Cahoots NI Ltd	34,000	Jill McEaney
ACNI/2603	Down District Council	25,000	Sharon O'Connor
ACNI/2161	Down District Council	50,125	Sharon O'Connor
ACNI/2818	NI Music Industry Commission	20,000	Jenny Gallon
ACNI/2071	Omagh District Council	60,000	Donal Gormley
ACNI/2171	Omagh District Council	21,500	Donal Gormley
ACNI/2589	Queen Street Studios	34,376	Ken Bartley
ACNI/2195	Queen Street Studios	45,332	Ken Bartley
ACNI/2543	Ulster Youth Choir	25,990	Eithne Benson Raymond Fullerton Andrea Rea
ACNI/2602	Young at Art	86,628	Donal Gormley
Awards for all			
	An Gaelaras	4,160	Gerry ÓhEara
	Arts Ekta	900	Janine Walker Debbie Young
	Belfast Traditional Music Society	10,000	Gavin O'Connor
	Cinemagic Ltd	9,270	Donal Gormley
	J2Z Festival Association	7,520	Ken Bartley
	NI Music Industry Commission	5,000	Jenny Gallon
	Queen Street Studios	5,116	Ken Bartley
	Youth Lyric	5,000	Nick Livingston
	John Hewitt Society	5,000	Tony Kennedy

17 Derivatives and other Financial Instruments

FRS 13 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.

Liquidity risks

In 2007-2008, £5.6 million or 90.71 per cent (2006-2007: 82.75 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, £466,000 or 7.53 per cent (2006-2007: 16.5 per cent), and from Bank Interest and Sundry Income, £108,000 or 1.75 per cent (2006-2007: 0.75 per cent). The Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and cash balances of £19.3 million to cover all current contracted commitments of £14.8 million.

Interest rate risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Council has no control over the investment of Funds in the National Lottery Distribution Fund. At the balance sheet date the Market Value of investment in the National Lottery Distribution Fund was £18.9 million. In the year the rate of return declared by NLDF was 6.050 per cent per annum, with the average return on these investments being 2.11 per cent (2006-2007: 3.85 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 11.02 per cent (2006-2007: 4.18 per cent) in the year. The cash balance at the year-end was £406,993. The Council considers that the Fund is not exposed to significant interest rate risks.

Foreign currency risk

The Fund is not exposed to any foreign exchange risks.

18 Post balance sheet events

There were no post balance sheet events.

The Annual Report and Accounts were authorised by the Accounting Officer to be issued on 1 April 2009.

Revised Lottery Policy directions to Arts Council of Northern Ireland

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

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

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

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

Paul Sweeney

16 April 2008

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

DG Ref: 008782

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@Parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

Customers can also order publications from

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-328818-5



9 780103 288185