

Presented 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 Account 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 10 MARCH 2008

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scrutinises public spending
on behalf of Parliament.

The Comptroller and Auditor General, Tim Burr, is an Officer of the House of Commons. He is the head of the National Audit Office which employs some 850 staff. He and the National Audit Office are totally independent of Government.

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Directors' Report

Background information

The Council, presently known as the Arts Council of Northern Ireland, 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 managed by a Council consisting of fifteen members. The current Council 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 1998-1999 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.

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 Council 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.

Council members of the Arts Council of Northern Ireland and members of its Lottery Committee

The Minister of Culture, Arts and Leisure approves the appointment of the Chairman, Vice Chairman and members of the Council. The Chairman and members of the Council 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 Council of the Arts Council of Northern Ireland for the year ended 31 March 2007 is shown below

Council

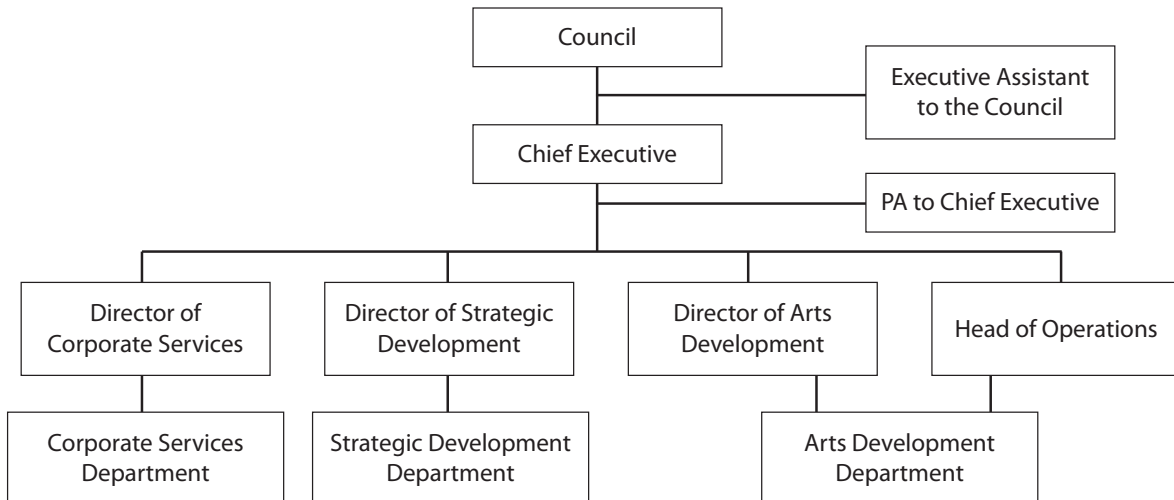
- | | |
|--|-----------------------|
| Ms Rosemary Kelly (Chairman) | Mr Tim Kerr |
| Mr Martin Bradley (Vice Chairman) | Mr Raymond Fullerton |
| Mrs Eithne Benson | Mr William Montgomery |
| Mrs Katherine Bond | Ms Sharon O'Connor |
| Mr Gearóid Ó hEara | Mr Peter Spratt |
| Ms Lucia (Lucy) Finnegan | Ms Jill McEaney |
| Mr Anthony Kennedy | Vacancy |
| Mr Brendan Milligan (resigned November 2006) | |

The members of the Council's Lottery Committee during the year are shown below

- | | |
|-------------------|---------------------------------|
| Ms Katherine Bond | Mr Tim Kerr |
| Mrs Eithne Benson | Mr Gearóid Ó hEara (April 2006) |

Several members of the Arts Council, its Lottery 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 14. All of the transactions relating to the organisations were conducted at arm's length by the Council.

Organisational structure



Appointment of auditors

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

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 £83,221 (2005-2006: £58,023).

The market value of the Arts Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2007 was £7.22 million (2005-2006: £6.8 million) and the present value of the Council's share of the scheme liabilities was £8.44 million (2005-2006: £7.03 million). The Council's share of the Scheme recorded net pension liabilities of £1.22 million at 31 March 2007.

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 94% of the bills were paid within this standard. The comparable figure for the previous year was 93% 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.

Roisin McDonough
Chief Executive
19 December 2007

Rosemary Kelly
Chairman
19 December 2007

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 £6,814,127. During the year the Arts Council paid £14,175,835 to applicants. The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,083,305 (excluding depreciation). This represents approximately 16% of the total proceeds received in the year and 7% of total funds drawn down.

Review of National Lottery distribution activities

During 2006-2007 the Council completed a review of its previous strategy and in January 2007 launched Creative Connections – its strategy for the period 2007-2012.

The Council received 507 applications during the year seeking grants of £11,138,098 across all programmes and made 423 grants totalling £7,560,999. In addition, through Awards for All, the Council made 109 awards totalling £563,200.

Following the strategy review, Council discontinued a number of its programmes – Access, New Work, Audience Development and Business Support – and consolidated the objectives of these into one major programme – Project Funding. The first decisions under this new programme were made in March 2007.

Two other new programmes were introduced during the year

- Re-Imaging Communities – a three-year to help communities in urban and rural areas to focus on positive ways to express who they are and what culture means to them artistically and creatively; and
- General Art Awards – a programme for individual artists seeking funding for specific projects, specialised research, personal artistic development and certain materials/equipment.

The Musical Instruments for Bands scheme was re-introduced following an evaluation of the two previous schemes. The new scheme has a reduced budget (£150,000 per annum) with an upper limit of £5,000 per award.

Significant changes in fixed assets

The movement on fixed assets is set out in note 5 to the financial statements. There were no significant changes during the year. The net book value of the fixed assets decreased from £1,461 to £926 following a depreciation charge of £535 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 £2,750,658. At the end of 2006-2007 the retained funds totalled £5,792,612 (2005-2006: £8,543,270). This amount will be carried forward to the 2007-2008 financial year and will be available for distribution.

A Comment on NLDF Balance Policy

In June 2004 the Council 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 2007, Arts Council Lottery Account balances at NLDF totalled £23.6 million, down £8.7 million on the prior year – a decrease of 27 per cent. The target balance for the year was £17 million – representing a negative variance against target of £6.6 million. This is caused primarily by funds being set aside in relation to capital grant projects which did not materialise within the financial year 2006-2007, but for which a commitment needs to be maintained into the future.

In relation to management effort to reduce balances, it is worth noting that the Council's hard and soft commitments totalled £23.5 million and it had balances of £23.6 million held at NLDF and £1.2 million locally, leaving a free cash balance of circa £1.3 million.

Future Developments in National Lottery Distribution Activities

Due to the general decline in Lottery ticket sales and to the reduction in income as a result of the contribution required of all distributors to the 2012 Olympic fund, the Council will have to make difficult decisions regarding its future programmes. It is likely that the Council will no longer have a capital line for new buildings, or the refurbishment of existing venues. In addition, the Council will reduce the funds available to the highly successful Awards for All scheme and re-visit its delegation agreement with the Northern Ireland Film & Television Commission which is due to end on 31 March 2008. There may also be a need for further consolidation of programmes.

Remuneration Report

Remuneration Policy

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

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 7.

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 Council members

R Kelly
M Bradley
G O'hEara

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

Service contracts

Civil service 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 60. 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 16 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)

	2006-2007	2005-2006
	Gross salary	Gross salary
	£000	£000
R McDonough	75-80	70-75
P Hammond	45-50	40-45
N McKinney	40-45	40-45
P Burns	40-45	40-45
N Livingston	40-45	35-40
L McDowell (Acting up)	35-40	30-35

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 Scheme (NILGOSC) and made contributions for 58 employees during the year (not all 58 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 2007 the Arts Council contributed 12.9% of gross salary. The disclosure below represents the full employer pension costs before any recharge of costs is made to the Lottery fund.

	2006-2007	2005-2006
	£	£
Employer's	175,734	215,690

Pension Entitlement – Senior Staff (Audited)

	Pensionable earnings	Accrued pension	Real increase	Accrued lump sum	Real increase	CETV 31 March 2006	CETV 31 March 2007	Real increase
	£000	£000	£000	£000	£000	£000	£000	£000
R McDonough	65-70	21.3	2.2	63.9	6.7	304.0	358.7	48.8
P Hammond	45-50	18.5	N/A	55.4	N/A	275.3	289.6	9.0
N McKinney	40-45	10.7	0.5	32.0	1.4	132.2	147.9	11.9
P Burns	40-45	8.9	0.2	26.9	0.7	128.9	143.5	11.0
N Livingston	40-45	12.4	0.1	37.3	0.2	181.6	195.0	8.3
L McDowell	35-40	12.3	1.0	37.0	3.0	169.5	197.0	22.8

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 Civil Service pension arrangements and for which the CS Vote has received a transfer payment 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.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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

19 December 2007

Statement of the Council's and Accounting Officer's responsibilities

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in a form directed by the Secretary of State with the consent of DFP in accordance with Section 35(3) of the National Lottery etc 1993 and accounts direction given by the Department of Culture, Arts and Leisure.

The financial statements are prepared on an accruals basis and must show a true and fair view of the state of affairs of the Arts Council of Northern Ireland's lottery distribution activities at the year end and of its income and expenditure, 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 (FRoM);
- 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 'Government Accounting Northern Ireland' 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 December 2007

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the council's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me under Government Accounting; and ensuring compliance with the requirements of the Council's Management Statement, Financial Memorandum and Statement of Financial Requirements. This responsibility is supported by the functions of Council, various Committees – particularly the Audit Committee, the internal auditor, external audit work and active management of the Arts Council's risk register.

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 as detailed by the corporate plans of the organisation; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Arts Council 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 2007 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 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 has been incorporated into the corporate planning and decision making processes of the Arts Council since 2003 across a number of key headings including strategic, operational, financial, external, reputational, human resources and compliance, among others. 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 Council currently 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 periodic review of the risk framework and other records of risk. Management of risk categories has been allocated appropriately within the organization. Any revision to the framework is discussed within Audit Committee and recommended to Council. In accordance with these functions, the Chair of the Audit Committee has received appropriate training during the year in accordance with Best Practice guidelines and Corporate Governance principles.

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

The Audit Committee reviews the final reports and accounts and the ensuing management letter.

Various other committees, including Finance and Lottery and Grants, 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 etcetera forming part of future grant decisions, with reporting and recommendations to Council.

Finally, the Arts Council maintains a register of related party transactions in order to ensure opportunities for conflict of interest are avoided. This register is maintained centrally and updated regularly and features as a supplementary support 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

In addition to the above, the Arts Council plans to set up a system of key performance and risk indicators – these have been incorporated into the Business Plan and, from 1 April 2007 onwards will include value-for-money measures on key areas.

The Council has an Internal Audit Unit, provided by a shared internal post with the Sports Council, which operates to standards defined in the Government Internal Audit Manual. 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 executive managers that the procedures continue to be developed to incorporate more sophisticated aspects such as multiple application fraud in line with policy and financial directions.

The framework is also guided by Best Practice in the areas of Whistle-blowing and Fraud Risk Management. The Arts Council introduced a Whistle-blowing Policy during 2006-2007 in accordance with central government guidelines and a revised policy document on Fraud and the Management of Fraud Risk is now ready for implementation early in 2007-2008.

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

The Internal Audit work-plan for 2006-2007 and statement of assurance concludes that relevant satisfactory controls are in place and that these continue to be reviewed and amended where appropriate and in accordance with best practice guidelines. Any outstanding recommendations will be incorporated into work plans for the incoming financial year.

In so far as the outcome of grant monitoring, as supplemented by internal audit activity and internal financial controls, indicates, 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 Council and the Audit Committee and a plan to address weaknesses, implement internal audit and external audit management letter recommendations and ensure continuous improvement of the system is in place.

Roisín McDonough
Accounting Officer for the Council

19 December 2007

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 2007 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 Cashflow 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 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 opinion

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 2007 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 Department of Culture, Arts and Leisure directions made thereunder; and
- information given within the Annual Report, which comprises the Directors' Report, Management Commentary and Remuneration Report, is consistent with the financial statements.

Audit 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.

Tim Burr
Comptroller and Auditor General

5 March 2008

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

Income and Expenditure Account for the year ended 31 March 2007

	Notes	2006-2007 £	2005-2006 Re-stated £
Proceeds from lottery	2	5,628,905	6,451,659
Investment returns	2	1,185,222	1,653,126
Other income	3	50,735	25,202
Total income		<u>6,864,862</u>	<u>8,129,987</u>
New grants made in year	10	9,315,624	14,368,538
Grants decommitted in year	10	(846,356)	(630,103)
Staff costs: recharge	4	620,790	516,037
Depreciation: tangible assets	5	535	536
<i>Other operating costs</i>			
Direct costs	6	204,568	274,175
Recharge	6	257,947	232,865
Unrealised loss on NLDF investment	7	62,412	88,228
Total expenditure		<u>9,615,520</u>	<u>14,850,276</u>
Decrease in funds		<u>(2,750,658)</u>	<u>(6,720,289)</u>

Statement of Total Recognised Gains and Losses

	2006-2007 £	2005-2006 Re-stated £
Decrease in funds	(2,750,658)	(6,720,289)
Total recognised gains and losses relating to the year	<u>(2,750,658)</u>	<u>(6,720,289)</u>

The notes on pages 20 to 28 form part of these financial statements.

Balance Sheet as at 31 March 2007

	Notes	2006-2007 £	2005-2006 Re-stated £
Fixed assets			
Tangible assets	5	<u>926</u>	<u>1,461</u>
Current assets			
Investments – Balance held in NLDF	7	23,628,345	32,336,000
Debtors and prepayments	8	718,992	215,617
Cash at bank and in hand		<u>1,277,224</u>	<u>1,147,740</u>
		25,624,561	33,699,357
Creditors falling due within one year			
Grant hard commitments	9	(14,898,338)	(18,474,865)
Trade and other creditors	9	<u>(623,123)</u>	<u>(241,229)</u>
		(15,521,461)	(18,716,094)
Net current assets		<u>10,103,100</u>	<u>14,983,263</u>
Total assets less current liabilities		<u>10,104,026</u>	<u>14,984,724</u>
Creditors falling due after one year			
Grant commitments	10	<u>(4,311,414)</u>	<u>(6,441,454)</u>
Total assets less total liabilities		<u>5,792,612</u>	<u>8,543,270</u>
Represented by			
<i>Reserves</i>			
Income and expenditure		<u>5,792,612</u>	<u>8,543,270</u>

The notes on pages 20 to 28 form part of these financial statements.

Roisin McDonagah
Chief Executive
19 December 2007

Rosemary Kelly
Chair
19 December 2007

Cash Flow Statement for the year ended 31 March 2007

	2006-2007	2005-2006
	£	Re-stated £
Operating activities		
Funds received from NLDF	15,459,371	10,962,741
Other cash receipts	0	51
Grants paid	(14,175,836)	(8,493,907)
Cash paid to ACNI – Recharge staff time and administrative costs	(878,737)	(748,902)
Other cash payments	(326,049)	(828,972)
Net cash Inflow from operating activities	78,749	891,011
Return on Investments and Servicing of Finance		
Treasury/bank interest	50,735	25,151
Taxation paid		
Corporation tax	0	0
Capital expenditure		
Purchase of assets	0	0
Increase/(decrease) in cash	129,484	916,162

Notes to the Cash Flow Statement

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

	2006-2007	2005-2006
	£	Re-stated £
Increase/(decrease) in funds	(2,750,658)	(6,720,289)
Depreciation charges	535	536
Interest receivable	(50,735)	(25,151)
(Increase)/decrease in NLDF Investment	8,707,655	2,946,185
(Increase)/decrease in Debtors and prepayments	(503,375)	20,105
Increase/(decrease) in Creditors	(3,194,633)	7,095,302
Increase/(decrease) in Creditors > one year	(2,130,040)	(2,425,677)
Net Cash Flow from operating activities	<u>78,749</u>	<u>891,011</u>

2 Reconciliation of net cash flow to movement in funds

Net funds at 1 April	1,147,740	231,578
Increase/(decrease) in cash	129,484	916,162
Net funds at 31 March	<u>1,277,224</u>	<u>1,147,740</u>

The notes on pages 20 to 28 form part of these financial statements.

Notes to the Accounts – 31 March 2007

1 Accounting policies

a Basis of accounting

These financial statements 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 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. Significant departures from accounting standards are disclosed and explained in the notes and the financial effects quantified where practicable.

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%
■	LAN Cabling	10%
	Furniture, fixtures and fittings	10%

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 Notional costs

In previous years the Income and Expenditure Account included the notional cost of capital employed by the Council calculated as 3.5% of the average capital employed over the financial year. In accordance with HMT guidelines, this provision has not been included for 2006-2007. This change has no net effect on the Income and Expenditure Account as notional costs are charged and then reversed out of lottery funds.

f 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.

g 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.

h Recharge of staff costs and apportionment of other operating costs

Staff cost 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 allocation of this charge is currently based on a detailed study completed in January 2006 of the work activity of each staff type from arts development through to administration. The average recharge amount has historically been 40% and the study done ratifies this. In addition, 40% of relevant temporary staff costs are recharged to Lottery. Honoraria are recharged also at a 40% 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 40% per annum.

i Change in accounting policy

In 2005-2006 grant commitments due after more than one year were included on the Balance sheet under Provisions for liabilities and charges. In accordance with the Lottery Accounts Direction these have now been included under Creditors falling due after one year.

The change did not have any effect on the Income and Expenditure account for the current period or prior period. It represents a change of presentation on the balance sheet.

2 Proceeds from Lottery

	2006-2007	2005-2006 Re-stated
	£	£
Proceeds from National Lottery	5,628,905	6,451,659
Investment Returns on Balances held at NLDF	1,185,222	1,653,126
	<u>6,814,127</u>	<u>8,104,785</u>

3 Other income

	2006-2007	2005-2006
	£	£
Bank Interest	50,735	25,151
Other Income	0	51
	<u>50,735</u>	<u>25,202</u>

4 Staff costs

	2006-2007	2005-2006 Re-stated
	£	£
Salaries	501,966	428,062
Social security costs	35,603	29,951
Other pension costs	83,221	58,023
	620,790	516,036

All of the staff costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account. The staff costs were recharged to the Lottery Distribution Account on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the Council. During the year the Arts Council employed an average of 55 full-time equivalent staff (2005-2006: 45). Temporary staff costs included in the above total of £501,966 amounted to £4,017; the comparable cost for 2005-2006 was £20,271. Pension costs include early retirement costs of £5,234 (2005-2006: £5,233).

Chief Executive's remuneration

The Chief Executive's remuneration, including backdated pay awards, during the year was £77,768 (2005-2006: £72,905). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme. A total of £24,458 (2005-2006: £34,413) of the Chief Executive's employment costs have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities. This amount is included in the staff costs recharge to the Lottery Distribution fund which totalled £620,790 as noted above.

Council Members' emoluments

The Chairman and Vice-Chairman of the Council received honoraria totalling £12,378 (2005-2006: £12,378), including employer NIC costs, as follows

	Chair	Vice Chair
	£	£
R Kelly	8,378	
M Bradley		4,000

Of this, £4,954 (2005-2006: £5,305) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Council 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 58 employees during the year (not all 58 were employed throughout the year), with 57 active contributing members at 31 March 2007. 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. During 2006 in accordance with FRS17 the assets and liabilities of each contributing employer were separately identified. 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 2007 the Arts Council contributed 12.9% (2005-2006: 13.6%) of gross salary. The most recent formal pension fund valuation was performed at 31 March 2007 using a roll forward methodology from the last formal valuation carried out as at 31 March 2004 and the scheme's actual results from 31 March 2005. The main assumptions used for FRS17 valuation purposes are as follows

Main assumptions

	2007	2004
Rate of return on investments per annum	6.8%	6.3%
Rate of general increase in salaries per annum	4.7%	4.4%
Rate of pension increases per annum	3.2%	2.9 %
Discount Rate Nominal / (Real)	5.4% (2.1%)	6.5% (3.5%)

The market value of the Arts Council's share of the NILGOSC pension scheme's assets (excl. AVCs) at 31 March 2007 was £7.22m (2005-2006: £6.8m) and the present value of the Council's share of the scheme liabilities was £8.44m (2005-2006: £7.03m). The Council's share of the Scheme recorded net pension liabilities of £1.22m at 31 March 2007. 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 £83,221 (2005-2006: £58,023).

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.

	2006-2007	2005-2006
	£	£
Employer's	175,734	215,690

5 Tangible fixed assets

	IT Hardware £	Furniture and Fittings £	Total £
Cost at 1 April 2006	24,473	3,582	28,055
Additions at cost			
Cost at 31 March 2007	<u>24,473</u>	<u>3,582</u>	<u>28,055</u>
Depreciation at 1 April 2006	24,296	2,298	26,594
Charge for year	177	358	535
Accumulated depreciation	<u>24,473</u>	<u>2,656</u>	<u>27,129</u>
Book value at 31 March 2007	<u>0</u>	<u>926</u>	<u>926</u>
Book value at 31 March 2006	<u>177</u>	<u>1,284</u>	<u>1,461</u>

6 Other operating costs

	Total £	Direct £	Recharge £	2005-2006 Re-stated £
ACNI admin apportionment	251,589	0	251,589	187,390
Film delegation administration	78,821	78,821	0	105,453
Awards for all administration	40,914	40,914	0	48,359
Audit fees	22,660	22,660	0	22,000
External monitoring	56,786	56,786	0	52,170
Assessors fees (external)	0	0	0	13,016
Printing and design	1,330	687	643	9,650
Travel	2,215	0	2,215	2,332
Marketing/advertising	0	0	0	1,845
Research/reports	3,595	95	3,500	63,563
Sundries	4,605	4,605	0	1,262
	<u>462,515</u>	<u>204,568</u>	<u>257,947</u>	<u>507,040</u>

Of the total operating expenses of £462,515, £257,947 (2005-2006: £232,865) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost.

The £251,589 (2005-2006: £187,390) 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 2005-2006 comparative figures have been restated to exclude the Chairman's and Vice-Chairman's emoluments which are now included in staff costs.

The total audit fees of £22,660 (2005-2006: £22,000) represents the external audit fee charged by the National Audit Office.

7 Reconciliation of Movement in National Lottery Distribution Fund

The funds held in the NLDF are invested on its behalf by the National Investment and Loans Office. Up to 1996-97 the Arts received 20% 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% by the National Lottery Act 1998. The Arts Council of Northern Ireland receives 2.8% 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.

The closing market value of investments held at 31 March 2007 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £23,628,345 (2005-2006: £32,336,000). The cost value of these investments was £23,911,980 (2005-2006: £32,557,360).

	2006-2007 £	2005-2006 £
Balances in NLDF		
Proceeds from lottery	5,628,905	6,451,659
Investment returns	1,185,222	1,653,126
Drawn down in year by Arts Council	(15,459,370)	(10,962,697)
Total Increase/(decrease) in Funds	(8,645,243)	(2,857,912)
Unrealised loss on Investment	(62,412)	(88,228)
Balance as at 1 April	32,336,000	35,282,277
In year adjustment	0	(137)
Balance as at 31 March	<u>23,628,345</u>	<u>32,336,000</u>

8 Debtors and prepayments

	2006-2007 £	2005-2006 £
Sundry debtors	0	18,831
Prepayments and accrued income	718,992	196,785
	<u>718,992</u>	<u>215,616</u>

The figure for Prepayments and Accrued Income represents cash held by the Northern Ireland Film and Television Commission and Awards for All on behalf of the Arts Council of Northern Ireland in respect of delegated Lottery distribution activities.

9a Creditor amounts due within one year

	2006-2007	2005-2006 Re-stated
	£	£
Trade and other creditors	623,123	241,229
Grant creditors	14,898,338	18,474,865
Accruals and deferred income	0	0
	15,521,461	18,716,094

9b Creditor amounts due within one year – analysis

	2006-2007	2005-2006 Re-stated
	£	£
Central Government	0	0
Local Authorities	5,848,431	4,748,471
Other Public Bodies	567,034	608,302
Intra government creditors	6,415,465	5,356,773
Bodies external to government	9,105,996	13,359,322
	15,521,461	18,716,095

Trade and Other Creditors total includes £84,572 (2005-2006: £100,378) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

10 Grant commitments

	2006-2007	2005-2006
	£	£
Soft commitments		
a Soft commitments brought forward	4,627,940	7,972,230
b Soft commitments transferred to hard commitments	(9,315,624)	(14,368,538)
c Soft de-commitments	(716,891)	(241,441)
d Soft commitments made in year	9,694,102	11,265,689
e Soft commitments carried forward	4,289,527	4,627,940
Hard commitments		
a Hard commitments brought forward	24,916,319	19,671,791
b Hard commitments met in year	(14,175,835)	(8,493,907)
c Hard de-commitments	(846,356)	(630,103)
d Hard commitments made	9,315,624	14,368,538
e Hard commitments carried forward	19,209,752	24,916,319

Profile of Hard Commitments over the next five years

Amounts falling due during 2006-2007	0	18,474,865
Amounts falling due during 2007-2008	14,898,338	5,152,158
Amounts falling due during 2008-2009	3,121,471	851,491
Amounts falling due during 2009-2010	1,081,477	437,805
Amounts falling due during 2010-2011	108,466	0
	19,209,752	24,916,319

Total grant commitments carried forward

	2006-2007	2005-2006
	£	£
Soft	4,289,527	4,627,940
Hard	19,209,752	24,916,319
	<u>23,499,279</u>	<u>29,544,259</u>

11 Capital commitments

There were no capital commitments as at 31 March 2007.

12 Contingent liabilities

There were no contingent liabilities as at 31 March 2007 other than the soft commitments disclosed in Note 10.

13 Public/private grant payment analysis

During the financial year 2006-2007, in accordance with the requirements of FReM section 7.4.39, grants paid according to the following definitions were

	2006-2007	2005-2006
	£	£
Central Government	0	0
Local authorities	3,596,559	969,163
Other public bodies	460,737	93,048
Intra government payments	4,057,296	1,062,211
Payments to bodies external to government	10,118,539	7,431,696
Total payments	<u>14,175,835</u>	<u>8,493,907</u>

14 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 Arts Council, its Lottery 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 arm's length by the Council.

Grant reference	Organisation name	Grant amount	Declared interest
ACNI/1372	Armagh City & District Council	35,000	J McEaney, T Kennedy
ACNI/1307	Armagh City & District Council	90,000	J McEaney, T Kennedy
ACNI/1168	Art Act	700	J Waugh
ACNI/1865	Arts for all	31,500	J Dempster
ACNI/1571	ArtsCare	27,134	A Rea
ACNI/1253	Big Telly Theatre Company	12,600	J McEaney
ACNI/1272	Big Telly Theatre Company	6,400	J McEaney
ACNI/1823	Big Telly Theatre Company	36,000	J McEaney
ACNI/1205	Blathanna Arts (An Gaelaras Ltd)	45,000	G O'hEara
ACNI/1248	Cahoots NI Ltd	14,175	J McEaney
ACNI/1570	Cahoots NI Ltd	19,981	J McEaney
ACNI/1794	Cahoots NI Ltd	41,606	J McEaney
ACNI/1071	Community Arts Forum	17,167	J Gallon
ACNI/1188	Community Arts Forum	32,454	J Gallon
ACNI/1249	Derry Theatre Trust	100,000	M Bradley
ACNI/1211	Kids in Control	32,773	G Campbell
ACNI/1863	Linen Hall Library	13,500	W Montgomery
ACNI/1843	Northern Ireland Music Industry Commission	16,200	J Gallon
ACNI/1089	Northern Ireland Music Industry Commission	64,410	J Gallon
ACNI/1757	Northern Ireland Music Industry Commission	20,000	J Gallon
ACNI/1787	Northern Ireland Music Industry Commission	30,000	J Gallon
ACNI/1975	Southern Education & Library Board	20,000	E Benson, I Davidson
ACNI/1783	The Nerve Centre	7,000	P Flynn
ACNI/1894	Ulster Orchestra Society Ltd	76,050	R Fullerton
ACNI/1177	Ulster Orchestra Society Ltd	20,700	R Fullerton
ACNI/1779	Ulster Orchestra Society Ltd	17,080	R Fullerton
ACNI/1148	Ulster Youth Orchestra	30,000	T Kerr
ACNI/1803	Ulster Youth Orchestra	25,200	T Kerr
ACNI/1789	University of Ulster	770	R Kelly, K Bond, T Kerr
Awards for All			
	Cahoots NI Ltd	5,000	J.McEaney
	Queen Street Studios	7,944	G.Ritchie
Totals		896,344	

15 Derivatives and other Financial Instruments: Disclosures (FRS 13)

FRS 13 requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Fund faces in undertaking its role.

Liquidity risks

In 2006-2007, £5.6m or 82.75% (2005-2006: 80%) 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, £1.1m or 16.5% (2005-06: 19.5%), and from Bank Interest and Sundry Income, £50,000 or 0.75% (2005-2006: 0.3%). 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 £25.6 million to cover all current contracted commitments of £24.1 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 £23.7 million. In the year the rate of return declared by NLDF was 4.2349% per annum, with the average return on these investments being 3.85% (2005-2006: 4.54%). 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 4.18% (2005-2006: 3.65%) in the year. The cash balance at the year-end was £1,277,224. 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.

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

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