

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

Arts Council Wales Lottery Distribution Account 2009-2010

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ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 26 JULY 2010

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Trustees' Annual Report for the year ended 31 March 2010

Reference and administrative details

Trustees

Council Members who served since 1 April 2009 were

Professor Dai Smith, Chairman	b)
Dr Ian J Rees, Vice-Chairman with effect from 1 April 2010	a) e)
Rhiannon Wyn Hughes MBE, Vice-Chairman (to 31 March 2010)	a) b) e) ii) iii)
Norah Campbell	a) g)
Simon Dancey (to 31 March 2010)	a) f)
Emma Evans	a)
John Geraint (from 1 April 2010)	
Maggie Hampton	c)
Margaret Jervis MBE DL	
John Metcalf (to 23 April 2009)	d)
Robin Morrison	c) i)
Osi Rhys Osmond (from 1 April 2010)	
Ruth Till MBE (to 31 March 2010)	f)
Richard Turner (from 1 April 2010)	
David Vokes (to 31 March 2010)	a) b)
Alan Watkin (from 1 April 2010)	v)
Debbie Wilcox	f) iv)
Professor Gerwyn Williams (from 1 April 2010)	
John C Williams (from 1 April 2010)	
Kate Woodward	d)

- a) Member of Audit Committee
- b) Member of Remuneration Committee
- c) Member of Capital Committee
- d) Member of Mid and West Wales Regional Committee
- e) Member of North Wales Regional Committee
- f) Member of South Wales Regional Committee
- g) Member of Wales at the Venice Biennale of Art Committee

For at least part of the period covered by this report Council members (identified by the number in brackets after their name in the above list) also served as Members or senior employees of the following public bodies

- i) Blaenau Gwent County Borough Council
- ii) Denbighshire County Council
- iii) National Museum of Wales
- iv) Newport City Council
- v) Wrexham County Borough Council

Chief Executive
Nicholas Capaldi

Offices

Mid and West Wales region:
4-6 Gardd Llydaw
Jackson's Lane
Carmarthen
SA31 1QD

North Wales region:
36 Prince's Drive
Colwyn Bay
LL29 8LA

South Wales region
and national office:
Bute Place
Cardiff
CF10 5AL

Auditor

Comptroller and Auditor General
157-197 Buckingham Palace Road
London
SW1W 9SP

Internal auditors

RSM Tenon
33-35 Cathedral Road
Cardiff
CF11 9HB

Solicitors

Geldards LLP
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Bankers

to 31 March 2010
Bank of Ireland
Bow Bells House
1 Bread Street
London
EC4M 9BE

from 1 April 2010
The Co-operative Bank
16-17 High Street
Cardiff
CF10 1AX

Structure, governance and management

The Arts Council of Wales was established by Royal Charter on 30 March 1994. It is also known by its Welsh name, Cyngor Celfyddydau Cymru.

The Council is a registered charity, number 1034245, whose trustees are the appointed Members.

The Council is an Assembly Government sponsored body. The Council's lottery distribution activities are not a devolved function so these financial statements are, therefore, laid before both Parliament and the Assembly, and are audited by the Comptroller and Auditor General under section 35 of the National Lottery etc. Act 1993 (as amended).

The Welsh Ministers appoint the Members of the Arts Council who normally serve for a period of three years and may be re-appointed for a further three year period. During the period under review the Council met seven times.

Members induction and training

New Members undergo an induction programme to brief them on their legal obligations under the Royal Charter and charity law, the Code of Best Practice, the Committee and decision making processes, strategic plans and funding issues. During the induction day they receive presentations from the Chairman, Chief Executive and Senior Management Team, and senior representatives from the Welsh Assembly Government's sponsoring division and from the Wales Audit Office. Members also have the opportunity to meet key employees. As well as the Royal Charter and Code of Best Practice, Members are provided with copies of the most recent Annual Report and Accounts, the current Working Budget, and the Charity Commission's publications 'The Essential Trustee' and 'The Independence of Charities from the State'. Seminars and additional training are arranged as necessary to inform the formulation of strategies and policies.

Council has appointed a number of committees to provide specialist advice and to make decisions within a framework of delegated powers; they are: Audit Committee, Remuneration Committee, Capital Committee, Mid and West Wales Regional Committee, North Wales Regional Committee, and South Wales Regional Committee. Ad hoc committees are set up for specific purposes, such as the Venice Biennale of Art. All committees are made up of Council Members and other individuals and operate under specific terms of reference. In addition, a National List of Advisers has been established, members of which are appointed by Council to provide specialist advice.

Council Members reserve to themselves matters such as decisions of policy, the Corporate and Operational Plans, the setting of the annual budget, the annual allocation of grants to revenue-funded organisations, and major alterations to the terms and conditions of service for staff. Members have delegated to staff decisions on grants up to £50,000, and to Capital Committee decisions on lottery capital grants from £50,001 to £250,000.

The register of interests of Members of the Council and of its Committees and National Advisers and the register of interests of Council employees are available for public inspection, by appointment, at each of the Council's offices during normal working hours.

Accountability

In addition to the requirements of the Royal Charter the Council operates under an accountability regime which includes

- the Charities Acts 1960, 1993 and 2006 and guidance issued by the Charity Commission;
- the Freedom of Information Act 2000 and Data Protection Act 1998 and guidance issued by the Information Commissioner;
- a Management Statement, Financial Memorandum and Accounts Direction issued by the Welsh Ministers;
- Lottery Policy Directions issued by the Welsh Ministers, and Finance Directions and an Accounts Direction issued by the Secretary of State for Culture, Media and Sport in accordance with the terms of sections 26 and 35 of the National Lottery etc. Act 1993 (as amended);
- the power of the Parliamentary Commissioner for Administration to investigate the Council's affairs;
- the power of the Public Services Ombudsman for Wales to investigate the Council's affairs;
- a Code of Best Practice, applying to Members and staff, which sets out standards of behaviour required of those involved in financial decisions and in dealing with the public; and
- the Consumer Credit Act 1974 and guidance issued by the Office of Fair Trading.

Copies of the Accounts Directions and of the Code of Best Practice can be obtained free of charge by writing to the Council's Director of Finance and Central Services.

The Council is required to account separately for its general and lottery distribution activities. Under separate Accounts Directions the accounting treatment of general and lottery grants differs significantly so, with due regard to paragraph 359 of the Charity Commission's Statement of Recommended Practice (revised 2005), in the judgment of the Trustees the production of a consolidated account is inappropriate as it would not provide a fair view of the application of the Council's resources.

Risk management

Council Members and members of the Audit Committee have reviewed during the year an assessment of the major strategic, business and operational risks to which the Council is exposed and agreed procedures and reporting regimes to manage and reduce the identified risks. An organisation-wide risk register is maintained and regularly considered and reviewed by the Management Board and the Senior Management Team. Clear lines of delegation and authority to staff for the recognition and management of departmental risks minimise any potential impact on the Council should any of those risks materialise.

Lottery distribution

The National Lottery etc. Act 1993 (as amended) set up the National Lottery ('Lottery') in order to raise funds to support good causes in the 'arts, sport, national heritage projects, charitable projects, and projects to mark the millennium'. The Council is one of the bodies responsible for the distribution of these funds.

Under the National Lottery etc. Act 1993 (as amended) the Council is required to prepare a statement of account for its lottery distribution activities in the form and on the basis determined by the Secretary of State for Culture, Media and Sport. The National Lottery Accounts Direction requires that all costs properly attributable to National Lottery activities should be funded from Lottery income. The Council is required to account separately for its general activities.

Given the uncertainty of the level of future lottery funding in the period leading to the London Olympic Games in 2012 the Capital programme for major awards has been suspended. However, the Council is committed to the continued management and delivery of projects in progress and those already registered for strategic funding. An appropriate budget allocation is available until at least 2012.

The Capital Committee advises Council in the development of policy on capital development and makes recommendations about individual capital grant applications. Independent external assessors were employed to advise on all Lottery capital applications for £100,000 or more. Council takes the final decisions concerning the award of Capital grants over £250,000.

The Capital Committee members who served since 1 April 2009 were

Robin Morrison, Chairman	Isabel Hitchman
Jonathan Adams	Richard Morgan (to June 2010)
Alun Bond (to June 2009)	Janet Roberts
Maggie Hampton	

The Council has delegated its grant making for film to the Film Agency for Wales. The terms of the external delegation are set out in a formal agreement with the Agency and satisfy the conditions of the Council's Statement of Financial Requirements.

Objectives, activities, achievements and performance for the public benefit

The Council's chartered objects are

- a to develop and improve the knowledge, understanding and practice of the arts;
- b to increase the accessibility of the arts to the public;
- c to advise and co-operate with Our National Assembly for Wales, Departments of Our Government, local authorities, The Arts Councils for England, Scotland and Northern Ireland, and other bodies on any matters concerned, whether directly or indirectly, with the foregoing objects; and
- d to carry out the objects through the medium of both the Welsh and English languages.

The Council's main purpose is to support and develop the arts in Wales for the benefit of people throughout Wales. The principal way in which Council seeks to fulfil this purpose is by the formulation of arts strategies, research, and providing recurrent and one-off grants to organisations and individuals within a strategic and developmental context. Such grant making is backed up by a process of monitoring and assessment to ensure that public money is used effectively for the intended purposes. The Council also manages a range of non-grant activities and services, often in partnership with local authorities and others.

Main objectives for the year

The Council's strategic priorities for 2009-2010 are set out in the table below according to our corporate themes, alongside key achievements made in relation to each priority during the year.

Corporate theme/ strategic area	Priorities	Achievements and performance
Supporting the creation of high quality art		
<p>Artform development & support for artists – we will implement all actions under Resource Category One in the Artform Strategies.</p>	<ul style="list-style-type: none"> ■ Support the gallery network to further promote excellent curatorial practice. ■ Develop new support for artist-filmmakers through two new film/sound commissions. ■ Set up the framework for dance and disability for Wales. ■ Develop a funding proposition to support new composition in music. ■ Support the development of the National Theatre Wales. ■ Establish a new partnership agreement with Academi, the Welsh National Literature Promotion Agency. 	<ul style="list-style-type: none"> ■ A number of projects were supported through our Lottery schemes funding to develop curatorial practice, including projects at Oriel Myrddin and Llantarnam Grange Arts Centre. ■ Three artists' film commissions were awarded development funding during the course of the year. ■ A research commission looking at dance and disability in Wales was completed but not finalised. ■ Beyond Borders, the new composition in music programme was launched and 3 organisations in Wales received funding. ■ National Theatre Wales was launched in November 2009 and gave its first public performance in March 2010. ■ The work involved in the Investment Review has delayed progress in this area, but it is still anticipated that the outline will be in place by the year end. Work with Academi and other partners has progressed to make Wales's Literary and overall cultural presence at the Hay Festival more dynamic in 2010.
<p>International work – we will deliver the first year's work outlined in <i>Creating 2013</i> to maximise international opportunities for the arts in Wales, increase investment into Wales Arts International's (WAI's) programme of activities and ensure international impact and recognition for arts from Wales.</p>	<ul style="list-style-type: none"> ■ Develop and deliver the Writers' Chain project partnership with British Council. ■ Develop and deliver the Cultural Relations Programme with China in partnership with the Welsh Assembly Government (WAG) and British Council. ■ Review and develop WAI's long-term programme with North America.. 	<ul style="list-style-type: none"> ■ The Writers' Chain has been planned by Wales Literature Exchange and included the first international workshops of the Translators House held in early December 2009. Activity also includes visits by writers from Wales to India during Spring 2010. ■ Work progressed well with National Dance Company Wales undertaking five performances in three cities as part of the programme. A forward plan is currently being developed. ■ Work has progressed well on the North America programme. Projects have included work with the Smithsonian Folk Life Festival, a research visit to the North American Folk Alliance and working with NoFit State Circus to develop market opportunities.

Corporate theme/ strategic area	Priorities	Achievements and performance
Encouraging more people to enjoy and take part in the arts		
<p>Participation – we will deliver year one of the Legacy Trust UK business plan, develop an evaluation toolkit for measuring the impact of participatory arts activity in a community arts context, and deliver the agreed actions in the joint Arts & Health Action Plan.</p>	<ul style="list-style-type: none"> ■ Engage up to 8,000 participants in Legacy Trust UK-funded projects. ■ Roll out the community arts evaluation toolkit. ■ Hold at least one practical workshop with senior health managers from across Wales following the launch of the Arts & Health Action Plan and the associated guidance document. 	<ul style="list-style-type: none"> ■ We engaged 13,000 participants in our Legacy Trust UK-funded projects throughout the year. ■ The evaluation of the community arts toolkit was completed and work commenced on revising the toolkit for roll out in 2010-11. ■ We delivered a series of focus groups across Wales and a successful all-Wales conference at which our <i>Art of Good Health</i> guidance document was launched.
<p>Audience development – we will have a new plan for the future support of venues in Wales and have progressed work on the development of the Cultural Enterprise Centre in Merthyr Tydfil.</p>	<ul style="list-style-type: none"> ■ Evaluate the impact of Arts outside Cardiff funding and present clear proposals for the future development of regional performing arts centres. ■ Work in partnership with WAG to continue the development of the Cultural Enterprise Centre in Merthyr Tydfil. 	<ul style="list-style-type: none"> ■ The review of Arts outside Cardiff funding was completed and published as part of our Investment Review process. This will lead to the development of proposals for taking this sector forward. ■ We are working with WAG and Chapter Arts Centre to explore the feasibility of Chapter managing a newly refurbished centre in the Old Town Hall at Merthyr Tydfil.
<p>Young people – we will progress our Arts & Young People Strategy, our <i>Reach the Heights</i> project, and develop the Expressive Schools Wales initiative.</p>	<ul style="list-style-type: none"> ■ Publish the Arts & Young People Strategy and commence implementation. ■ Meet our year one targets for the <i>Reach the Heights</i> project. ■ Establish two Expressive Schools Wales pilot projects. 	<ul style="list-style-type: none"> ■ The draft strategy was circulated for consultation and the final strategy will be published in the first quarter of 2010-2011. ■ 39 of the 42 projects were up and running at the end of the financial year, as planned, and the other three were being finalised. ■ This work has not been completed but discussions with WAG and other partners have progressed well.
<p>Research – we will collate survey and research data that will inform progress towards the 2012 target of increasing engagement, setting clear, measurable outcomes and impact measures.</p>	<ul style="list-style-type: none"> ■ Agree the final version of the Research Strategy and implement agreed priorities for 2009-2010. ■ Develop appropriate measures and evaluation tools for all of our projects and programmes. 	<ul style="list-style-type: none"> ■ The strategy was delivered as planned. ■ More work on developing appropriate measures and evaluation tools needs to be undertaken and will be prioritised in 2010-2011.

Corporate theme/ strategic area	Priorities	Achievements and performance
Growing the arts economy		
Diversifying our funding base – we will meet our year one financial targets for the <i>Reach the Heights</i> project, complete year one of WAI's Convergence-funded projects, and secure funding for a further two international projects.	<ul style="list-style-type: none"> ■ Ensure we award sufficient contracts and deliver the agreed outputs to draw down the allocated ESF funding. ■ Fully establish our European Officer post and develop structures to support the successful implementation of large-scale projects. 	<ul style="list-style-type: none"> ■ 42 projects were allocated funding through our competitive tendering exercise. Claim forms have been submitted on time and in accordance with the requirements of WAG's Department for Children, Education, Lifelong Learning & Skills (DCELLS). ■ The European Officer post is established and the post holder was in place from June 2009. Two European funded projects are up and running (in addition to <i>Reach the Heights</i>) and a further project is in development.
Stimulating enterprise and business growth – we will have an agreed plan for developing business support services.	<ul style="list-style-type: none"> ■ Undertake a scoping exercise with potential partners and agree an action plan. 	<ul style="list-style-type: none"> ■ This work has not been completed and will be carried forward into our Operational Plan for 2010-2011.
Cultural tourism – we will have advanced our role in the agreed Cultural Tourism Action Plan.	<ul style="list-style-type: none"> ■ Establish the <i>Impact</i> Project as a successful bid to the Atlantic Area EU funding scheme. 	<ul style="list-style-type: none"> ■ The <i>Impact</i> project was still in development at the end of the year with discussions having taken place with prospective transnational partners.
Making the Arts Council an effective and efficient business		
Investment Review – we will complete the review of our portfolio of revenue-funded organisations.	<ul style="list-style-type: none"> ■ Consult and agree the terms of reference, quality framework and planning guidance. ■ Assess applications, making reasoned and supported recommendations to Council. ■ Manage the communication of decisions to applicants. 	<ul style="list-style-type: none"> ■ The Investment Review work has been running on time and according to the project plan throughout the year. In-principle decisions will be made by Council at its June 2010 meeting. ■ Applications have been assessed according to published procedures and these will inform recommendations. ■ A detailed communications plan for the work has been developed and is being followed.
Excellence and innovation – we will review the effectiveness of our beacon and Arts outside Cardiff funding strategies.	<ul style="list-style-type: none"> ■ Develop the evidence base for supporting the arts and support WAG in the production of a new Cultural Strategy. 	<ul style="list-style-type: none"> ■ Initial discussions on data collection have taken place with WAG officials, working towards building the evidence to support the arts. Our Chief Executive has been part of the group contributing to the development of the Cultural Strategy.

Corporate theme/ strategic area	Priorities	Achievements and performance
Business simplification – we will simplify our administrative processes and systems.	<ul style="list-style-type: none"> ■ Complete our review of grants and client management to streamline our operations within available resources and ensure value for money and high level customer service. ■ Publish our Customer Service Standards. 	<ul style="list-style-type: none"> ■ Our completion report procedure was reviewed and is proving to be effective. Work on developing business support for revenue clients was put on hold pending the outcome of the Investment Review. ■ We will be reviewing our Customer Service Standards as part of a broader piece of work looking at the implementation of our 2009 staff survey and Investors in People accreditation report. An action plan will be published during 2010-2011.
Developing our workforce – our staff will be engaged and motivated and benefit from a programme of staff training and development.	<ul style="list-style-type: none"> ■ Establish new arrangements for staff development, training and appraisal. ■ Ensure retention of our Investors in People standard. 	<ul style="list-style-type: none"> ■ We have put in place new arrangements for staff development and appraisal. ■ We successfully retained our Investors in People standard.
Communications and campaigning – we will deliver all actions in our 2009-2010 Communications Strategy.	<ul style="list-style-type: none"> ■ Redevelop our online services. ■ Devise and execute a major campaign to raise the profile of the arts in Wales. 	<ul style="list-style-type: none"> ■ A new Livelink environment was installed and the MS Office 2007 upgrade was completed. ■ Work is still progressing on a major campaign to raise the profile of the arts in Wales.

Detailed monitoring of performance against performance indicators (PIs) is carried out and reported on quarterly to the Senior Management Team, Council and the Welsh Assembly Government.

Grant making policies

The Council invites applications for recurrent and one-off grants from organisations and individuals and monitors the proper and effective use of those grants. As well as meeting the Council's strategic aims, applications must demonstrate benefit to the people of Wales across all regional, cultural and economic sectors. Recurrent grants are funded from grant-in-aid only but one-off grants may be funded from grant-in-aid or lottery income. Under the terms of its Lottery Policy Directions the Council makes grants in support of capital and other projects under revenue schemes relating to the arts in Wales.

Capital grants, to organisations only, support the purchase, improvement, restoration, building or creation of an asset that will be used continuously. As noted above, the Council is not presently taking applications for major awards but the Capital programme is open for small grants from £2,000 to £10,000, subject to a maximum of 90 per cent of eligible costs.

Council has delegated its grant making for film to the Film Agency for Wales ('the Agency'). The terms of the external delegation are set out in a formal agreement between the Council and the Agency and satisfy the conditions of the Council's Statement of Financial Requirements. The present agreement expires on 31 March 2011 but may be renewed. The obligations of the Council's Accounting Officer are unchanged by the delegation but he has satisfied himself that the Agency and its systems are suitable to undertake the delegated functions, including: the assessment of applications for film funding; holding, accounting for and distributing Lottery money allocated to it by the Council for that purpose; and monitoring funded projects. The delegation agreement allows for appropriate access to the Agency by the Council's internal auditors and by the Auditor General for Wales for the review of the operation of the delegated functions.

Revenue scheme grants are available to help fund time-limited artistic projects of high quality which best meet the Council's funding priorities. There have been some policy changes from 1 April 2010 in respect of these grants:

Grant type	up to 31 March 2010	from 1 April 2010
Training grants support the undertaking or purchase of training and also the provision of arts training	£250 – £5,000 (organisations undertaking training) £250 – £2,000 (individuals) 4 application deadlines each year – April, June, September & January £1,000 – £30,000 (organisations providing training) 2 application deadlines each year – May & September	
Small grants support organisations or individuals for pilot projects or where there are significant levels of funding from other sources	£250 – £5,000 4 application deadlines each year (organisations) – April, June, September & January 3 application deadlines each year (individuals) – June, September & January	
Creative Wales Awards enable artists to develop their creative practice	£5,001 – £12,000 & £20,000 – £25,000 1 application deadline each year – January	£5,001 – £12,000 & £20,000 – £25,000 1 application deadline each year – June
Production grants support larger programmes of work for established individual artists and organisations.	£5,001 – £30,000 (organisations) £5,001 – £20,000 (individuals) 2 application deadlines each year – May & September	
Maximum level of funding for organisations and individuals	75% of eligible costs (organisations) 90% of eligible costs (individuals)	
Maximum level of funding for local authorities and school clusters	50% of eligible costs	
Maximum level of funding where the main aim of an application is to promote non-arts issues	50% of eligible costs	
Over-arching funding priorities when assessing grant applications	<ol style="list-style-type: none"> 1. Projects delivered in acknowledged deprived communities 2. Projects to promote the work of artists from under-represented groups (e.g. disabled people, people from black and minority ethnic backgrounds) 3. Projects delivered in Welsh or bilingually 	

Successful applicants are allowed no more than one of each type of grant in any financial year.

These are the main funding schemes but the Council publishes general guides to funding for organisations and individuals which include full details of funding priorities and eligibility criteria. These are available from any of the Council's offices and from the website: www.artswales.org.uk

Principal Lottery distribution activities

The Council received 452 (2009: 735) lottery applications in the year of which 4 (2009: 10) were for capital schemes and 448 (2009: 725) for revenue schemes. In total 365 (2009: 423) offers of grant were made amounting to £8,977,000 (2009: £3,919,000) of which £5,467,000 (2009: £322,000) were capital grants, and £3,510,000 (2009: £3,597,000) were revenue scheme grants. Commitments (i.e. grants accepted but not yet paid over) at the end of the year amounted to £8,700,000 (2009: £7,661,000), of which £7,226,000 (2009: £5,673,000) were for capital grants and £1,474,000 (2009: £1,988,000) were for revenue schemes grants.

Financial review

The Council has two principal funding sources: grant-in-aid from the Welsh Assembly Government; and, as one of the bodies responsible for the distribution of funds for good causes, a share of the proceeds raised by the National Lottery. The Council is required to account separately for its general activities.

Investment

Investment powers are governed by the Trustee Act 2000 and the Management Statement and Financial Memorandum issued by the Welsh Ministers and the Financial Directions issued by the Secretary of State for Culture, Media and Sport. The Council's policy is to achieve the maximum return within these terms. Interest at a negotiated rate linked to bank base rate is received on all credit balances in the Council's current accounts. From time to time, higher rates may be available for restricted funds on long term deposit.

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport so, although the Council receives investment income on its share of such balances, the Council has no investment powers over the Fund.

Financial results

The Lottery Distribution account shows the Council's 2009-2010 share of the proceeds from the National Lottery of £12,338,000 (2008-2009: £10,410,000), and a decrease in funds for the year of £861,000 (2008-2009: an increase of £3,893,000) which was transferred from reserves.

In February 2008 a statutory instrument was passed which allowed for the transfer of up to £1,085,000,000 from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 London games. The Council was committed to contribute up to £3,552,000 in the original bid and this order allows for the transfer of up to a further £4,509,000. Similar amounts are expected to be transferred every three months until August 2012. During 2009-2010 there were transfers totalling £2,169,000 (2008-2009 £542,000).

Grant offers made in the year totalled £8,977,000 (2008-2009: £3,919,000). £8,880,000 (2008-2009: £4,241,000) is recorded as grant expenditure, which reflects offers made in this year and previous years which were formally accepted during this year. Soft commitments at 31 March 2010, not recorded as expenditure in the Net Expenditure Account, totalled £157,000 (2009: £206,000).

The balance held in the National Lottery Distribution Fund at 31 March 2010 was £11,994,000 (2009: £11,341,000). The accounts show a cumulative surplus of funds of £2,772,000 (2009: £3,633,000).

Plans for future periods

The Council will continue to be a lottery distributor until 2019 which amounts to an investment of some £10 million every year for the arts in Wales, subject to the effects of Lottery funding for the London Olympics in 2012.

The Council has drafted a new Operational Plan for 2010-2011. We are developing our business strategy in a difficult economic climate but will continue to campaign for the level of funding that we believe the arts in Wales need. However, we do so in the full knowledge of the wider economic recession. In the short to medium term we must withstand the challenge of reduced public funding for the arts, but with our clients and other partners we must also prepare our plans for the economic upturn which is predicted in the longer term.

Our corporate themes and planned activities are as follows

Corporate theme/strategic area	Priorities 2010-2011
Supporting the creation of the best in great art	
<p>We will support artists and arts organisations who demonstrate the highest standards of imagination, capability and enterprise.</p> <p>In return, we will expect them to strive for work of the highest quality that reaches out to, engages and grows audiences.</p> <p>By doing so, we will be able to highlight a range of high quality arts activity that inspires others to aspire to.</p>	<ul style="list-style-type: none"> ■ We will have completed our Investment Review and identified our new nationwide network of revenue-funded organisations (RFOs). ■ We will have completed our review of grant-in-aid and Lottery funding programmes, and have published a new financial strategy. ■ We will have completed a further round of Creative Wales awards and made four Creative Wales Ambassadors Awards. We will have evaluated the Creative Wales programme to date and made recommendations for the future of the awards. ■ Working in partnership with our National Advisers we will have achieved quality appraisals for all revenue funded organisations to feed into 2011's annual review meetings. ■ We will have launched a new website providing practical information about the arts. ■ We will have completed our active programme of international arts activity by delivering year 3 of Wales Arts International's 5 year strategy, <i>Creating 2013</i>. ■ We will have had a high profile presence at key national and international events and completed preparation for 2012's events. These will include Hay Festival, the Urdd Eisteddfod, the National Eisteddfod and the Venice Biennale of Art. ■ We will have funded our Equalities Action Plan and be providing development funding to disability led and black and minority ethnic led arts organisations.

Corporate theme/strategic area	Priorities 2010-2011
Encouraging more people to enjoy and take part in the arts	
<p>We will support activity that increases and broadens public engagement in the arts.</p> <p>We want people to enjoy and experience work of quality that inspires, entertains and challenges.</p> <p>By doing so, we want to persuade more people that attending and taking part in the arts should be an important part of their everyday lives.</p>	<ul style="list-style-type: none"> ■ We will have agreed with our portfolio of RFOs new targets for public engagement. ■ We will be supporting, as a result of our Investment Review, artistically exciting, financially durable community arts organisations. ■ We will have raised the quality of participatory arts by encouraging more organisations to use our evaluation toolkit. ■ We will have completed and evaluated our Summer Splash programme. ■ We will have completed and evaluated the first phase of our <i>Reach the Heights</i> programme. ■ We will have secured the support of Creative and Cultural Skills to fund apprenticeships that equip artists to work in participatory and educational settings. ■ We will have consulted on and produced a Touring and Distribution strategy designed to bring a diverse range of high quality arts to a wider audience across Wales, drawing together our existing policy positions in this sector. ■ We will have supported our <i>Night Out</i> scheme to promote a minimum of 550 events, 150 of which will be in Communities First areas. ■ We will have increased our investment in Communities First areas. ■ We will have seen an increase in the amount of arts activity taking place in schools. ■ We will have seen the introduction of a pilot Arts Plus scheme. ■ We will have established a delivery model for a virtual arts and health network and secured additional resources for the delivery of the action plan. ■ We will have completed a programme of research that assesses the impact of our investment in the arts. ■ We will have established a baseline and methodology for evaluating the impact of our Lottery schemes funding.

Corporate theme/strategic area	Priorities 2010-2011
Growing the arts economy	
<p>We will increase the level of money and resources that is available for the arts in Wales.</p> <p>We want to foster a greater spirit of entrepreneurship in ourselves and the arts that we support.</p> <p>By doing so we want to encourage less dependency on government subsidy.</p>	<ul style="list-style-type: none"> ■ We will have secured European funding for 3 transnational projects. ■ We will have met year 2 financial targets for <i>Reach the Heights</i> and secured funding for a second phase of delivery. ■ We will have levered in new private sector income through our investment in the Arts and Business Culture Step programme. ■ We will have increased the value and number of Collectorplan loans and researched initiatives in other market development potential for the visual and applied arts. ■ We will have agreed new income generation targets with our RFOs. ■ We will have put on a Marketing Symposium designed to improve professional and technical skills. ■ We will have produced a workforce/business development strategy as part of a new approach to the creative industries. ■ We will have published a fundraising strategy. ■ We will have a new capital funding strategy in place. ■ In partnership with Visit Wales we will have contributed to the implementation of the Cultural Tourism Action Plan. ■ We will have completed a programme of advocacy events and publications demonstrating the contribution that the arts make to the life of the nation. ■ We will have promoted at least one joint conference/ event with a peer AGSB in the cultural sector.
Making the Arts Council an effective and efficient business	
<p>We will scrutinise our use of resources to ensure that we are providing an effective, value for money public service.</p> <p>We want to create an organisation that is respected for the quality of its activities and recognised as an authoritative source of arts expertise.</p> <p>By doing so we will be able to demonstrate that we provide an essential public service to the people of Wales.</p>	<ul style="list-style-type: none"> ■ We will have achieved a 1.5 per cent reduction in our running costs through the simplification of our business processes, procurement, structures and use of IT ■ We will have produced an action plan and begun implementation of the recommendations in our staff survey and Investors in People reports ■ We will have produced an action plan in response to the Governance Review ■ We will have introduced an environmental policy ■ We will maintain our active involvement in 2 Local Authority partnerships designed to deliver joint shared services.

Human resources

Equal opportunities

The Council is committed to a policy of equal opportunity in its employment practices. In particular, the Council aims to ensure that no potential or actual employee receives more or less favourable treatment on the grounds of age, disability, ethnic or national origin, gender, marital or parental status, nationality, political belief, race, religion, or sexual orientation.

The Council is on the National Register of Disability Symbol Users, reflecting its commitment to ensure that appropriate facilities are available for disabled employees.

Sickness absence

During 2009-2010 staff sickness absence totalled 923 days (2008-2009 910.5 days). This represented 3.72 per cent (2008-2009 3.82 per cent) of working days, including 1.32 per cent (2008-2009 1.45 per cent) as a result of long term absence (over 28 days).

Employee communication

The Council recognises the trade union Unite, with which it has established a procedural agreement; representatives of management and union meet regularly to discuss matters of current concern. Additionally, regular departmental meetings are held and Directors are required to report to their staff on matters discussed at Council and at the Senior Management Team meetings.

Pension scheme

Most employees are members of the Arts Council Retirement Plan 1994. The fund is a defined benefit scheme. It is also a multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. In accordance with the Council's accounting policies, the scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS17.

Payment of trade and other payables

Under the Late Payment of Commercial Debts (Interest) Act 1998, and the UK Government's Better Payment Practice Code, the Council is required to pay suppliers' invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

The Council aims to pay 100 per cent of invoices, including disputed invoices once the dispute has been settled, in line with these terms. During the year ended 31 March 2010, the Council paid 97 per cent (2008-2009: 94 per cent) of all invoices within the terms of its payment policy. Since November 2008 the Council, in line with Welsh Assembly Government policy, aims to pay invoices with 10 days. For 2009-2010 88 per cent (from November 2008 to March 2009 86 per cent) of invoices have been paid within 10 days. It is not anticipated that our policy will alter in future years.

Financial risk and capital management

The Council mainly holds financial instruments to finance its operations, for example trade and other receivables and trade and other payables, and cash and cash equivalents arising directly from its operations. The financial risk management of exposures arising from trading financial instruments, primarily trade and other receivables and trade and other payables, is through a series of policies and procedures. These risks are managed as follows.

Liquidity risk – The Council does not consider that its Lottery Distribution function is exposed to any significant liquidity risks, and is satisfied that the balance within the National Lottery Distribution Fund and projected future Lottery proceeds are sufficient to meet its hard commitments.

Interest rate risk – Cash and cash equivalents balances, which are drawn down from the National Lottery to pay grant commitments and operating costs, are held in instant access variable rate bank accounts which on average carried an interest rate of 0.50 per cent (2008-2009: 3.42 per cent) in the year. The year-end Cash and cash equivalents balance held by the Council in the bank was £3,000 (2009: £546,000). The Council does not consider that its Lottery Distribution function is exposed to significant interest rate risks.

Foreign currency risk – The Council is not exposed to any significant foreign exchange risks.

Cash and cash equivalents flow risk – The Council is not exposed to any significant Cash and cash equivalents flow risks.

Personal data related incidents

The Council has controls and policies in place to ensure data integrity. IT systems ensure that the physical security of data is tightly controlled. As far as we are aware, no loss of data occurred during the period under review.

Responsibility towards the environment

We believe that we have a responsibility to operate our business in a sustainable manner, and to apply good environmental practice. We are committed to reducing our environmental impact and to continually improving our environmental performance as an integral part of our business and operating methods.

In support of this we have reviewed and strengthened our environmental policy and are reviewing our operations to ensure they are as efficient as possible. Initiatives include

- equipping all our offices with video conferencing equipment, the use of which is actively promoted;
- restricting travel to necessary journeys only and ensuring those journeys are made by the most efficient means possible taking account of both environmental and financial considerations;
- using licensed and appropriate organisations to dispose of our waste;
- reducing the number of paper copies of the publications we produce and using electronic means wherever possible;
- making use of energy saving devices and equipment to reduce electricity consumption; and
- actively promoting recycling and waste separation internally.

We have had preliminary discussions with Carbon Trust (Wales) and intend working with them in the year ahead. We will be reviewing our environmental reporting and plan to develop a toolkit that can be used to improve our environmental performance.

Social and community issues

We are committed to ensuring that the Council's funding is accessible and of benefit to all the citizens of Wales.

We have strategies targeted at young people, community arts and broadening public engagement in the arts. We have supported a very successful festival – *Gwanwyn* – celebrating older people, and are involved in a major project aimed at working with young people who are not in employment, education or training.

Our grant schemes have over-arching funding priorities directed at projects promoting the work of artists from under-represented groups such as disabled people and people from black and minority ethnic backgrounds. Recognising the bilingual culture of Wales, we also prioritise applications that will be delivered in Welsh or bilingually.

In order to change the way we approach issues of race, diversity and disability equality we provide our staff with appropriate training. We are also carrying out a programme of equality impact assessments on all of our internal policies in order to ensure they reflect these priorities.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Council's auditor is unaware, and he has taken all the steps that he ought to have taken as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the Council's auditor is aware of that information.

Remuneration report

The Council remunerates its entire staff, with the exception of the Chairman and Chief Executive, in accordance with an agreed pay and grading system maintained by the Human Resources Department. A Job Evaluation Policy is in place, in accordance with which staff may appeal the grading of posts. The terms of appointment of the Chairman and Chief Executive are agreed with the Welsh Assembly Government.

Each year management considers staff remuneration against external comparators and movements in the economy. In consultation with the recognised trade union a pay remit is produced and submitted to the Welsh Assembly Government for approval. The resultant pay and conditions package is binding on the whole of the Council until the next round of negotiation. Increases under the pay remit are dependent upon performance established by the Council's system of personal development reviews.

With the approval of the Charity Commission the Chairman is remunerated at a rate determined by the Welsh Assembly Government which reflects a minimum time commitment to Council business. Annual increases of the Chairman's salary are also advised by the Welsh Assembly Government but he receives no bonus payments and is not a member of the pension scheme.

The Chief Executive's remuneration consists of a basic salary plus an annual bonus. Annual bonuses are recommended to Council by the Remuneration Committee in consideration of the performance of the Chief Executive against a set of predetermined objectives. A percentage of the bonus, as advised by the Welsh Assembly Government, is consolidated into the Chief Executive's salary and the remainder is paid as a non-consolidated award.

Council members are appointed by the Welsh Ministers for a period of three years and may be re-appointed for a further three year period. The current Chairman, Professor Dai Smith, was appointed as a Council member on 1 April 2004 but took over the chairmanship on 1 April 2006. The Minister for Culture, Sport and the Welsh Language subsequently appointed Professor Smith for a term of three years from 1 April 2007 until 31 March 2010 and the Heritage Minister has renewed his appointment for a further three years to 31 March 2013. The Chief Executive and senior directors are all employed on permanent contracts on the Council's standard terms and conditions.

Having successfully completed a probationary period of six months, the Chief Executive and senior directors are entitled to thirteen weeks notice of termination of employment.

The dates of commencement of employment are: Professor Dai Smith (Chairman) 1 April 2006; Nicholas Capaldi (Chief Executive) 15 September 2008; David Alston (Arts Director) 1 July 2005; and Hywel Tudor (Finance and Central Services Director) 21 January 2002.

The Chief Executive, Arts Director and Finance and Central Services Director are responsible for directing the Council's activities. Their actual emoluments were as follows, 37.5 per cent (2008-2009: 40 per cent) of which is charged in these financial statements and the remainder to general activities. The figures within this Remuneration Report have been audited.

Name and position	2010	2009	2010	2010	2010	2010	2010
	Emoluments band		Real increase in pension and related lump sum at age 65	Total accrued pension at age 65 as at 31/03/10 and related lump sum	Cash ¹ Equivalent Transfer Value at 31/03/09	Cash Equivalent Transfer Value at 31/03/10	Real ² Increase in Cash Equivalent Transfer Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Nicholas Capaldi <i>Chief Executive</i>	90-95	50-55 (Annual equivalent 90-95)	Pension 0-2.5 Lump sum 2.5-5	Pension 0-5 Lump sum 5-10	6	19	13
David Alston <i>Arts Director</i>	65-70	60-65	Pension 0-2.5 Lump sum 0-2.5	Pension 0-5 Lump sum 5-10	30	47	15
Hywel Tudor <i>Finance and Central Services Director</i>	65-70	60-65	Pension 0-2.5 Lump sum 0-2.5	Pension 5-10 Lump sum 20-25	79	101	18

1 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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Arts Council Retirement Plan 1994. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

2 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.

Following an amendment to the Council's Royal Charter, and with the approval of the Charity Commission, since 1 April 2004 the Chairman has been paid for his services. Other Council and Committee members are not paid for their services.

The total actual emoluments of the Chairman and Chief Executives were made up of

	2010	2009
	£	£
Chairman		
Salary	43,809	43,160
Chief Executives		
<i>Current Chief Executive (from September 2008)</i>	93,380	50,089
Salary	18,302	9,317
Pension contribution		
Benefit in Kind: contribution towards accommodation (including tax and national insurance)	3,389	4,745
	115,071	64,151
 <i>Former Interim Chief Executive (April to September 2008)</i>		
Management Fees	0	69,600
	2010	2009
	£	£
<i>Previous Chief Executive (to April 2008)</i>		
Salary	0	3,751
Non-consolidated award	0	4,922
Pension contribution	0	773
	0	9,446
Totals	115,071	143,197
Reimbursed travel and subsistence expenses incurred and defrayed whilst on Council business		
Chairman	2,951	4,823
Chief Executives	4,406	12,285

37.50 per cent (2008-2009: 40 per cent) of the Chairman's and Chief Executives' emoluments are charged in these financial statements and the remainder to general activities.

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

Under Section 35 of the National Lottery etc. Act 1993 (as amended) the Council is required to prepare for each financial year a statement of accounts for its Lottery distribution activities in the form and on the basis determined by the Secretary of State for Culture, Media and Sport. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Council and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of HM Treasury's Financial Reporting Manual and in particular to

- observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in HM Treasury's Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Principal Accounting Officer for the Welsh Assembly Government has designated the Chief Executive as the Accounting Officer of the Council. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Council's assets, are set out in the Welsh Assembly Government's Accounting Officers' Memorandum issued by HM Treasury.

Nicholas Capaldi
Accounting Officer

9 July 2010

Dai Smith
Chairman

9 July 2010

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 Council policies, aims and objectives set by the Welsh Assembly Government whilst safeguarding the public funds and resources for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum, Lottery Finance Directions and in *Managing Public Money*.

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 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 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 2010 and up to the date of approval of the trustees' annual report and financial statements, and accords with Treasury guidance.

Capacity to handle risk

The risk management process is led by the Senior Management Team and endorsed by Council and the Audit Committee. Staff are equipped to manage risk in a way appropriate to their authority and duties by the provision of risk awareness training and on-the-job guidance. Key performance and risk indicators have been established and are monitored on a regular basis.

The risk and control framework

The Council has a system of internal control based on a framework of regular management information, documented administrative procedures including the segregation of duties, and a system of delegation and accountability.

The Chief Executive has overall responsibility for the system of internal control and securing adherence to our policy on risk management and is supported by the Senior Management Team and Management Board.

There is an organisation-wide risk register containing details of all key risks and mitigating controls. Managers are responsible for drawing up and maintaining more detailed risk registers for any new activities. During the year ended 31 March 2010, for example, the Council's Investment Review was identified as a risk priority and managed accordingly.

Risk management has been embedded in the key operations of the Council by the introduction of a prioritisation methodology based on risk ranking. From the receipt and assessment of applications for funding through to the monitoring of scheme and annually recurring revenue awards, a risk category is assigned on the basis of key criteria. The level of qualitative and other monitoring will be dependent upon the risk category assigned and mitigating controls identified, which are regularly reviewed.

Policies and procedures have been drafted to ensure that there is adequate detection and response to inefficiency, conflict of interest and, as far as reasonably possible, fraud and to minimise the loss of grant. These are reviewed regularly and updated as necessary. Policies are also in place covering the acceptable use of IT systems and data protection.

The Council has established the following processes

- the Senior Management Team meets regularly to consider the plans and strategic direction of the Council;
- periodic reports from the Chairman of the Audit Committee, to Council, concerning internal control;

- regular reports by the Council's appointed internal auditors, to standards defined in the Government Internal Audit Manual, to the Audit Committee which includes the auditors' independent opinion on the adequacy and effectiveness of the Council's system of internal control together with recommendations for improvement;
- the identification and discussion of emerging risks by the Management Board at its monthly meetings;
- maintenance of an organisation-wide risk register; and
- key performance indicators.

Any weaknesses in the control framework identified by both auditors and our own internal control reviews are reviewed by the Senior Management Team which ensures that corrective action is taken.

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 auditors, the Audit Committee which oversees the work of the internal auditors, the executive managers within the Council 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. I also receive a Statement of Assurance from the Accountable Officer of the Film Agency for Wales in respect of the systems applied for distributing their delegated Lottery funding. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Council, the Audit Committee and the internal auditors and a plan to address weaknesses and ensure continuous improvement of the system is in place.

IT systems ensure that the physical security of data is tightly controlled. As far as I am aware, no loss of data occurred during the year.

The internal auditors undertook nine reviews during the year. Of these reviews two provided substantial assurance, two provided adequate assurance and there were four follow up reviews showing good or reasonable progress with the implementation of recommendations. There was one area, grant making, where the internal auditors provided limited assurance. Management has agreed an action plan to address the recommendations made in this area which will be the subject of a further comprehensive review in 2010-2011. The internal auditors provided the following opinion on the adequacy and effectiveness of the Council's arrangements in their Annual Report: 'In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2010, the Arts Council of Wales has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives. One report was identified as providing limited assurance, however we are satisfied that appropriate action is being taken by management to address the issues identified.'

Nicholas Capaldi
Accounting Officer

9 July 2010

Dai Smith
Chairman

9 July 2010

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Members of the National Assembly for Wales

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

Respective responsibilities of the Council, Accounting Officer and Auditor

As explained more fully in the Statement of Council's and the Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arts Council of Wales Lottery Distribution Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council of Wales; and the overall presentation of the financial statements.

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

Opinion on regularity

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

Opinion on Financial Statements

In my opinion

- the financial statements give a true and fair view of the state of the Arts Council of Wales Lottery Distribution Account's affairs as at 31 March 2010 and of its net expenditure, changes in equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport.

Opinion on other matters

In my opinion

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport; and
- the information given in the Trustees' Annual Report, which comprises Reference and Administrative Details; Structure, Governance and Management; Lottery Distribution; Financial Review; Payment of Trade and Other Payables; and Financial Risk and Capital Management for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas Morse
Comptroller and Auditor General

16 July 2010

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

Net expenditure Account

for the year ended 31 March 2010

	Notes	£'000	2010 £'000	£'000	2009 £'000
Expenditure					
Management and administration					
Staff costs	2		1,032		978
Operating costs	4		612		573
Provision for doubtful debts	7b		665		1
			<u>2,309</u>		<u>1,552</u>
Expenditure on the arts					
Grant commitments made (hard)		9,026		4,345	
Less: Lapsed and revoked commitments (hard)		(146)		(104)	
Net grant commitments made (hard)	9b		8,880		4,241
Delegated distributor: Film Agency for Wales	8a, 11		785		750
Direct costs of grant making	5		38		41
			<u>9,703</u>		<u>5,032</u>
Statutory transfer to Olympic Lottery Distribution Fund	6		2,169		542
Total expenditure			<u>14,181</u>		<u>7,126</u>
Revenue					
Share of proceeds from the National Lottery	6		12,338		10,410
Investment income on balances in the National Lottery Distribution Fund	6		88		508
Unrealised gain/(loss) on the revaluation of investment in the National Lottery Distribution Fund	6		(19)		39
Other Income			16		25
Interest receivable			1		19
Grants recoverable			896		18
Total revenue			<u>13,320</u>		<u>11,019</u>
Net income/(expenditure)			<u>(861)</u>		<u>3,893</u>

There are no discontinued activities and there have been no acquisitions during the year.

There are no gains or losses other than those shown above.

The notes on pages 28 to 38 form part of these financial statements.

Statement of Financial Position as at 31 March 2010

	Notes	£'000	31 March 2010 £'000	£'000	31 March 2009 £'000	£'000	1 April 2008 £'000
Non-current assets							
Trade and other receivables	7a		150		150		150
Current assets							
Financial assets							
Investments – balance held in the National Lottery Distribution Fund	6	11,994		11,341		11,514	
Trade and other receivables	7b	218		4		12	
Cash and cash equivalents	10c	3		546		752	
Total current assets			12,215		11,891		12,278
Total assets			12,365		12,041		12,428
Current liabilities							
Trade and other payables	8	(234)		(307)		(115)	
Other liabilities							
Delegated distributor: Film Agency for Wales	8, 11	(659)		(440)		(429)	
Provision for grant commitments (hard)	8, 9b	(4,132)		(4,458)		(8,826)	
Total current liabilities			(5,025)		(5,205)		(9,370)
Non-current assets plus net current assets			7,340		6,836		3,058
Non-current liabilities							
Provision for grant commitments falling due after more than one year (hard)	9b		(4,568)		(3,203)		(3,318)
Assets less liabilities			2,772		3,633		(260)
Equity							
Net Expenditure account			2,772		3,633		(260)

The financial statements were approved by the Arts Council of Wales and signed on its behalf by

Nicholas Capaldi
Accounting Officer

9 July 2010

Dai Smith
Chairman

9 July 2010

The notes on pages 28 to 38 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Funds received from the National Lottery Distribution Fund	6	9,585	10,588
Other cash receipts		30	57
Grants paid	9b	(7,841)	(8,724)
Cash paid to and on behalf of employees		(965)	(853)
Other cash payments		(787)	(554)
Film Agency payments	8a	(566)	(739)
Net cash inflow/(outflow) from operating activities	10a	(544)	(225)
Cash flows from investing activities			
Interest received		1	19
Net cash inflow from investing activities		1	19
Net increase/(decrease) in cash and cash equivalents in the period	10b	(543)	(206)

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

	2010 £'000	2009 £'000
Balance at beginning of year	3,633	(260)
Net income/(expenditure) for the year	(861)	3,893
Balance at end of year	2,772	3,633

Notes forming part of the Financial Statements

1 Accounting policies

a Basis of preparation

These financial statements are prepared under the historical cost convention. They have been prepared in accordance with Section 35 of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998) in the form and on the basis determined by the Secretary of State for Culture, Media and Sport.

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The Council has started from a Statement of Financial Position at 1 April 2008, the Council's date of transition to IFRS for its Lottery Distribution Account.

Under separate Accounts Directions the accounting treatment of general and lottery grants differs significantly so, with due regard to paragraph 359 of the Charity Commission's Statement of Recommended Practice (revised 2005), in the judgment of the Trustees the production of a consolidated account is inappropriate as it would not provide a fair view of the application of the Council's resources.

b Recognition of income and expenditure

All income is accounted for on an accruals basis. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

c General activities

These financial statements do not cover the Council's general activities, funded mainly by grant-in-aid, for which separate financial statements have been prepared.

d Grant commitments

A distinction is made in respect of grants made by the Lottery distributors between 'hard commitments' and 'soft commitments'. Hard commitments, which are charged as expenditure in the financial statements, arise when the Council has made a formal offer of grant which (together with appropriate conditions) has been accepted by the recipient. Soft commitments, which are recorded in a note to the financial statements, arise when the Council has agreed to offer a grant but, at the year end, the offer has not been accepted formally by the recipient.

Hard commitments payable within one year of the year end are recognised in the Statement of Financial Position as current liabilities. Those payable more than one year after the Statement of Financial Position date are shown as such.

e 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 such balances attributable to the Council is shown in the accounts at market value and, at the Statement of Financial Position date, has been notified by the Secretary of State for Culture, Media and Sport as being available for distribution by the Council in respect of current and future commitments.

It is appropriate to classify the National Lottery Distribution Fund investments as 'available for sale', being in line with the Department for Culture, Media and Sport accounting policy, and this accounting treatment is appropriate to the Council. The policy is that investments are held at fair value with any unrealised profit or loss recognised through reserves.

f Pensions

The Council is an admitted employer of the Arts Council Retirement Plan 1994. The pension scheme provides defined benefits to Council employees. The costs of the Council's contributions are charged to the Net Expenditure Account so as to spread the cost of pensions over employees' working lives.

The fund is a defined benefit, multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. The scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS17.

g Taxation

Non-recoverable Value Added Tax arising from expenditure is charged to the Net Expenditure Account or capitalised as a fixed asset where applicable.

h Apportionment of management and administration costs from the General Activities Account

The Council incurs costs which support both its general activities and lottery distribution functions. In accordance with its Financial Directions, the Council apportions indirect costs properly between these two areas of activity with reference to the time spent on, or the consumption of, the relevant resources by the respective activities.

i Financial Instruments

Financial assets: Trade receivables and other current assets do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Cash and cash equivalents comprises cash in hand and cash at bank on instant access terms.

Financial liabilities: Trade payables and other current liabilities are not interest bearing and are stated at their nominal value.

2 Staff numbers and related costs

	2010	2009
	£'000	£'000
Wages and salaries charged to lottery distribution activity	800	706
Social security costs	68	60
Other pension costs	154	142
Redundancy costs	0	18
Compensation payment	3	0
Agency costs	7	52
	<u>1,032</u>	<u>978</u>

The average number of staff (full time equivalents) employed across the whole Council during the year was

	No	No
Services, direct promotions and direct costs of grant making	25	26
Management and administration	70	70
Agency staff	0	1
	<u>95</u>	<u>97</u>

Based on time apportionments, the average number of staff (full time equivalents) employed on Lottery distribution during the year was

Management and administration	<u>26</u>	<u>28</u>
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The balance of 69 (2008-2009: 69) staff were employed on general activities.

3 Pension costs

Most employees are members of the Arts Council Retirement Plan 1994. The fund is a defined benefit scheme. It is also a multi-employer scheme so the Council is unable to identify its share of the underlying assets and liabilities. In accordance with the Council's accounting policies, the scheme has therefore been accounted for as if it were a defined contribution scheme, in accordance with FRS17.

An independent actuarial valuation of the Arts Council Retirement Plan 1994 normally takes place every three years. A valuation as at 31 March 2010 is ongoing. The last valuation was carried out as at 31 March 2007 using the 2007 Ongoing Basis. The overall market value of the Plan's assets as at 31 March 2007 was £58.5m. The Actuary concluded that at the valuation date the Plan had a past service deficit of £18.8m and a funding ratio of 76 per cent. In order to eliminate the deficit, the actuary recommended increased employer contributions over the next 9 years. The reduction to 9 years compared to the 12 years used previously took account of the guidance issued by the Pensions Regulator.

On the assumption that the recommended amounts would be paid to the Plan, the actuary's opinion was that the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due. The main actuarial assumptions used were that price inflation would be 3.2 per cent per annum, pay increases would be 4.7 per cent per annum, pension increases would be 3.2 per cent per annum on pensions in excess of Guaranteed Minimum Pensions (GMPs), pension increases of deferred pensions would be 3.2 per cent per annum on pensions subject to statutory revaluations, the past service discount rate would be 5.9 per cent per annum and the future service discount rate would be 7.1 per cent per annum.

Contributions by the Council and its employees were

For staff joining the Plan:

	on or before 31/08/2006		on or after 01/09/2006	
	2010	2009	2010	2009
	%	%	%	%
Council	20.6	20.6	18.6	18.6
Employees	1.5	1.5	3.5	3.5

The Council also pays 0.2 per cent of pensionable salary in respect of each life assurance only member.

For any staff joining the Plan on or after 1 April 2010 the Council will contribute 16.1 per cent and the employee will contribute 6.0 per cent. At the date of signing these financial statements the 2010-2011 contribution rates for all other staff are unchanged from 2009-2010.

4 Operating costs

	2010 £'000	2009 £'000
Accommodation	54	47
Office running costs	143	156
Operating leases		
– hire of plant and machinery	4	4
– other operating lease rentals	90	69
Recruitment, training and other staff costs	25	33
Travel and subsistence		
– Officers	33	33
– Members	14	11
Communications	6	4
Lottery promotion and information	23	3
Grant monitors, advisers and legal fees	74	50
Audit ¹	18	16
Other professional fees	19	41
Irrecoverable VAT	65	68
Charge for use of fixed assets	44	38
	612	573

1) The audit fee is for audit services and no non-audit services were provided.

Operating costs are apportioned between the Council's general activities and lottery distribution accounts with reference to the time spent on, or the consumption of, the relevant resources by the respective functions. The rates applied differ according to the expenditure heading and geographical region but the average charge to Lottery activities was 37.5 per cent (2008-2009: 40 per cent).

5 Direct costs of grant making

	2010 £'000	2009 £'000
Assessors' fees	21	34
Creative Wales Awards – scheme expenses	17	7
	38	41

6 National Lottery Distribution Fund

	2010	2009	2008
	£'000	£'000	£'000
Balance held in the National Lottery Distribution Fund (NLDF) at 1 April	11,341	11,514	16,630
Allocation of Lottery proceeds	12,338	10,410	10,019
Investment income receivable	88	508	782
Payments to the Olympic Lottery Distribution Fund	(2,169)	(542)	0
Adjustment to previous year's unrealised gain/(loss) on investment in NLDF	(31)	25	0
Unrealised gain on investment in NLDF during the year	12	14	25
Drawn down in the year	(9,585)	(10,588)	(15,942)
Balance held in the National Lottery Distribution Fund at 31 March	11,994	11,341	11,514

The balance held at 31 March 2010 at the National Lottery Distribution Fund may be subject to change as the audit of the fund is incomplete. Any adjustments arising from that audit will be reflected in the Council's 2010-2011 accounts. A corresponding adjustment for an unrealised loss on investment of £31,000 in 2008-2009 has been made in these accounts.

In February 2008 a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085m from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. This comprises £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675m arising from the subsequent budget review.

The Arts Council of Wales was committed to contribute up to £3.552m in the original bid and this order allows for the transfer of up to a further £4.509m.

During 2009-2010 there was a transfer of £2,169,000 (2008-2009 £542,000).

7 Trade and other receivables

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<i>a) Non-current assets</i>			
Analysis by type			
Other receivables	<u>150</u>	<u>150</u>	<u>150</u>
Intra-government balances			
Balances with bodies external to government	<u>150</u>	<u>150</u>	<u>150</u>
<i>b) Current assets</i>			
Analysis by type			
Grants recoverable ¹	903	24	31
Less: Specific provision for doubtful debts ¹	(685)	(20)	(19)
	<u>218</u>	<u>4</u>	<u>12</u>
Intra-government balances			
Balances with bodies external to government	<u>218</u>	<u>4</u>	<u>12</u>

1 A property which was refurbished with the assistance of a Lottery capital award has been sold and the full amount of the grant is recoverable. The Council has received 50 per cent of the sale proceeds since 31 March 2010 as partial repayment, but the remainder is included in the provision for doubtful debts. As disclosed in note 15, further unquantifiable repayment may be received.

8 Current liabilities

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
<i>a Analysis by type</i>			
Trade and other payables			
Trade payables	18	8	7
Due to the Arts Council of Wales General Activities account ¹	198	282	88
Accruals and deferred income	18	17	20
Sub-total: Trade and other payables	234	307	115
Other liabilities			
Film Agency for Wales ²	659	440	429
Provision for grant commitments (hard) (note 9b)	4,132	4,458	8,826
Sub-total: Other liabilities	4,791	4,898	9,255
Total current liabilities	5,025	5,205	9,370
 ¹ The amount due to the Arts Council of Wales General Activities account is made up of			
Recharges of apportioned costs			
– Staff	64	41	48
– Overheads	90	203	13
– Charge for use of assets	44	38	27
	198	282	88
 ² The Film Agency for Wales is the Council's delegated distributor of funding for film			
Undrawn funds at 1 April	440	429	-
Allocation of funds during the year	785	750	787
Hard commitments delegated in accordance with novation agreement	0	0	993
	1,225	1,179	1,780
Drawn down in the year	(566)	(739)	(1,351)
Undrawn funds at 31 March	659	440	429
 <i>b Intra-government balances</i>			
Balances with central government bodies	198	282	88
Balances with local authorities	643	872	3,189
Balances with NHS bodies	5	111	0
Sub-total: Intra-government balances	846	1,265	3,277
Balances with bodies external to government	4,179	3,940	6,093
Total creditors	5,025	5,205	9,370

9 Grant commitments*a) Soft commitments*

	£'000	£'000	2010 £'000	2009 £'000	2008 £'000
	Capital	Revenue schemes	Total	Total	Total
Soft commitments at 1 April	0	206	206	636	1,671
Soft commitments made in the year	5,467	3,510	8,977	3,919	8,749
Total grant offers made	5,467	3,716	9,183	4,555	10,420
Offers not accepted	0	0	0	(4)	(6)
Soft commitments transferred to hard commitments	(5,467)	(3,559)	(9,026)	(4,345)	(9,778)
Soft commitments at 31 March	0	157	157	206	636

b) Hard commitments

	£'000	£'000	2010 £'000	2009 £'000	2008 £'000
	Capital	Revenue schemes	Total	Total	Total
Hard commitments at 1 April	5,673	1,988	7,661	12,144	16,419
Hard commitments in the year	5,467	3,559	9,026	4,345	9,778
Amounts not taken up	(76)	(70)	(146)	(104)	(781)
Charged to Net Expenditure Account ¹	5,391	3,489	8,880	4,241	8,997
Grants paid in the year	(3,838)	(4,003)	(7,841)	(8,724)	(12,279)
Hard commitments delegated ²	0	0	0	0	(993)
Hard commitments at 31 March	7,226	1,474	8,700	7,661	12,144
Falling due within one year to					
Local authorities	445	198	643	872	3,151
NHS bodies	4	1	5	111	127
Bodies external to government	2,223	1,261	3,484	3,475	5,548
	2,672	1,460	4,132	4,458	8,826
Falling due after more than one year to					
Local authorities	2,025	0	2,025	2,029	1,185
Bodies external to government	2,529	14	2,543	1,174	2,133
	4,554	14	4,568	3,203	3,318
Total	7,226	1,474	8,700	7,661	12,144

¹ Hard grant commitments charged to the Net Expenditure Account comprise

Grants to public bodies	533	675	3,289
Grants to private bodies	8,347	3,566	5,708
	8,880	4,241	8,997

- 2 On 24 May 2007 the Film Agency for Wales became the Council's delegated distributor of funding for film. All outstanding hard commitments for film were transferred to the Agency via a novation agreement.

Age of hard commitments				Restated	Restated
2008-2009	0	0	0	0	8,826
2009-2010	0	0	0	4,458	115
2010-2011	2,672	1,460	4,132	3,203	3,203
2011-2012	4,554	11	4,565	0	0
2012-2013	0	3	3	0	0
	<u>7,226</u>	<u>1,474</u>	<u>8,700</u>	<u>7,661</u>	<u>12,144</u>

10 Cash flow reconciliation

	2010	2009
	£'000	£'000
<i>a Reconciliation of net income/(expenditure) to net cash flow from operating activities</i>		
Net income/(expenditure)	(861)	3,893
Bank interest	(1)	(19)
(Increase)/Decrease in the balance held in the National Lottery Distribution Fund	(653)	173
(Increase)/Decrease in trade and other receivables	(214)	8
Increase/(Decrease) in current liabilities	146	203
Increase/(Decrease) in provision for grant commitments	1,039	(4,483)
Net cash inflow/(outflow) from operating activities	<u>(544)</u>	<u>(225)</u>
<i>b Reconciliation of net cash flow to movements in net funds</i>		
Increase/(Decrease) in cash and cash equivalents	(543)	(206)
Increase/(Decrease) in the balance held in the National Lottery Distribution Fund	653	(173)
	<u>110</u>	<u>(379)</u>
Net funds at 1 April	11,887	12,266
Net Funds at 31 March	<u>11,997</u>	<u>11,887</u>
<i>c Cash and cash equivalents</i>		
Balance at 1 April	546	752
Net change in cash and cash equivalent balances	(543)	(206)
Balance at 31 March	<u>3</u>	<u>546</u>
The following balances at 31 March were held at Commercial banks and cash in hand	<u>3</u>	<u>546</u>

11 Delegated distributor: Film Agency for Wales

A delegation agreement with the Film Agency for Wales is in place, and fully operational, for the purpose of the distribution of Lottery funds. Transactions in these financial statements relating to this delegation reconcile to transactions in the financial statements of the Film Agency for Wales as follows:

Arts Council of Wales	£'000	Film Agency for Wales	£'000
Expenditure on the arts		Income	
Balance as at 1 April	440	Balance as at 1 April (restated)	440
Allocation of funds during the year	785	Share of National Lottery proceeds	785
Drawn down in the year	(566)	Paid by Arts Council of Wales	(566)
Trade and other payables (due within one year)		Trade and other receivables	
Film Agency for Wales	659	Arts Council of Wales	659

The following Lottery distribution information is extracted from the unaudited draft financial statements¹ of the Film Agency for Wales for the year ended 31 March 2010.

	£'000
Reserves at 1 April 2009	302
Incoming funds: Arts Council of Wales	785
Incoming funds: Other	45
Outgoing funds	(778)
Reserves at 31 March 2010	354
Details of grant commitments at 31 March 2010	
Hard commitments	825
Soft commitments	350
	<u>1,175</u>

1) The draft financial statements will be audited in July 2010 and are expected to be approved by the Board in September 2010.

A full list of the grants awarded by the Agency is included in the Council's Annual Report. More detail about the Agency's work can be found on its website at www.filmagencywales.com.

12 Events after the reporting period

Authorisation of these financial statements for issue

The financial statements were authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General certified them.

13 Financial instruments

International Financial Reporting Standard 7, *Financial Instruments: Disclosures*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the Council's function faces in undertaking its role.

Liquidity risks – In 2009-2010 £12,338,000 or 98.3 per cent of the Council's Lottery distribution income was derived from the National Lottery (2008-2009: £10,410,000 or 94.8 per cent). Of the remaining income £88,000 or 0.7 per cent was derived from investment returns from the balance held with the National Lottery Distribution Fund (2008-2009: £508,000 or 4.6 per cent) and £123,000 or 1.0 per cent from bank interest and sundry income (2008-2009: £62,000 or 0.6 per cent). The Council does not consider that its Lottery Distribution function is exposed to

any significant liquidity risk, and is satisfied that the balance within the National Lottery Distribution Fund and projected future Lottery proceeds are sufficient to meet its hard commitments.

Interest rate risks – The financial assets of the Lottery 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. Cash and cash equivalents which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.50 per cent in the year (2008-2009: 3.42 per cent). The cash and cash equivalents balance at the year end was £3,000 (2009: £546,000). The Council does not consider that its Lottery Distribution function is exposed to significant interest rate risks.

Foreign currency risk – The lottery distribution function of the Council is not exposed to any significant foreign exchange risks.

Cash flow risk – The Council is not exposed to any significant cash flow risks.

14 Explanation of transition to International Financial Reporting Standards

For all the periods up to and including the year ended 31 March 2009, the Council has prepared its annual report and financial statements in accordance with UK GAAP. For the year ended 31 March 2010, the Council is required to prepare its annual report and accounts in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

Accordingly, these financial statements have been prepared in compliance with IFRS applicable for periods beginning on or after 1 April 2008. The significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements the Council has started from a Statement of Financial Position at 1 April 2008, the Council's date of transition to IFRS for its Lottery Distribution Account.

There have been no adjustments made to the figures in the Net Expenditure Account, the Statement of Financial Position or the Statement of Cash Flows.

15 Contingent asset

A property which was refurbished with the assistance of a Lottery capital award has been sold and the Council has, since the Statement of Financial Position date, received 50 per cent of the proceeds as partial repayment of the grant. This amount is included in trade and other receivables at 31 March 2010 (Note 7b). When all other creditors of the vendor organisation have been paid, any remaining balance of the proceeds will also be due to the Council.

16 Related party transactions

Public bodies

The Council is an Assembly Government sponsored body.

The National Assembly for Wales/Welsh Assembly Government is regarded as a related party and details of transactions with the National Assembly for Wales/Welsh Assembly Government are given in the separate accounts covering the Council's general activities.

The National Lottery Distribution Fund is administered by the Department for Culture, Media and Sport which is regarded as a related party. During the year the Council had no material transactions with the Department for Culture, Media and Sport other than those shown in the Net Expenditure Account.

Individuals

During the year members of Council, or other related parties (being close family members) undertook material financial transactions (listed below) with the Council in its role as Lottery distributor. Material financial transactions with the Council in respect of its general activities are recorded in the separate accounts covering those activities. There were no material financial transactions with key managerial staff or their close family members.

Council members

A number of Council members and/or their close family were members of the Boards of Management (or equivalent) or were senior employees of organisations offered Lottery grants or other payments by the Council in 2009-2010. In all such cases, in accordance with the Council's Code of Best Practice, the member concerned withdrew from any meeting during discussion of the application.

Member	Organisation	Transaction (number)	Total value £	Balance outstanding at 31 March 2010 £
Norah Campbell Board/Council	Oriel Mostyn	Grant (2)	144,100	32,272
Simon Dancey Former Director	Community Music Wales	Grant (2)	43,243	4,325
Emma Evans Trustee/Director	Creu Cymru	Grant (1)	26,610	26,610
Maggie Hampton Board Member (family member)	India Dance Wales	Grant (1)	19,000	1,900
Rhiannon Wyn Hughes MBE Councillor	Denbighshire County Council (including Royal International Pavilion)	Grant (2)	33,720	3,000
Vice President	Llangollen International Musical Eisteddfod	Grant (1)	10,000	1,000
Chair	Prestatyn Youth Arts Festival	Grant (1)	4,000	Nil
Robin Morrison Employee	Blaenau Gwent County Borough Council (including Beaufort Theatre)	Grant (1)	5,000	Nil
Ruth Till MBE Committee member	Community Dance Wales	Grant (1)	16,923	9,308
Debbie Wilcox Councillor	Newport City Council (including Newport Museum and Art Gallery and The Riverfront)	Grant (2)	27,390	24,000

Key managerial staff

During the year no key managerial staff and/or their close family had connections with organisations with which the Council entered into material financial transactions.

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ISBN 978-0-10-328865-9



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