



Arts Council of Northern Ireland

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2014



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**The Arts Council of Northern Ireland
Annual Report and Accounts
FOR THE YEAR ENDED 31 MARCH 2014**

*Laid before the Northern Ireland Assembly under
Article 8 (2) (c) and Article 9 of the
Arts Council (Northern Ireland) Order 1995
by the Department of Culture, Arts and Leisure*

3 July 2014

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CHAIRMAN'S FOREWORD

From city of conflict to city of culture

One event above all others stood out in 2013. Between January 2013 and January 2014, the nation's attention turned to Derry~Londonderry and the UK City of Culture 2013. Its year in the arts and cultural spotlight transformed the profile of the city and its environs, often in profound and enduring ways. Against the backdrop of a famously divided city, people found themselves crossing the Peace Bridge and crossing the city, even heading up to the former army barracks at Ebrington, to see *art*. The conversation turned from conflict and divide to *Turner* and *Fleadh Cheoil na hÉireann* and *Lumiere* and *The Return of Colmcille*.

The arts had created a common ground where people, from all backgrounds, could come together to enjoy the spectacle. They connected people across the various barriers that divide us and provided a shared meeting place, not just of bodies but of minds. The positivity of that shared creative experience allowed many people to see that we share more in common than we may first have thought.

There were some remarkable highlights during the Derry~Londonderry UK City of Culture 2013: Willie Doherty's retrospective, Echo Echo's *Festival of Dance and Music* and Prime Cut Productions' *The Conquest of Happiness* all offered a flavour of the wealth of home-grown creative talent.

The unprecedented numbers of international visitors, artists and performers, arriving as a consequence of the strength of the cultural programme created significant opportunities for cultural exchange and future artistic collaborations. The local and international artists who showcased their work during the year, as well as the hundreds of thousands of visitors from across these islands and beyond, would join the Arts Council of Northern Ireland (ACNI) in applauding the management and delivery of the UK City of Culture 2013 programme by the Culture Company in partnership with Derry City Council, Ilex Urban Regeneration Company and the Strategic Investment Board.

The ACNI's commitment to the year of cultural events began many years prior to 2013, with the investment of significant sums of public money to build and renovate the major venues that helped to establish the infrastructure required for the city to secure the bid to become the first UK City of Culture.

The year in the cultural spotlight has now drawn to a close, but the ACNI's commitment to the transformation of the city's cultural life and to the momentum created by the City of Culture celebrations continues. With cultural legacy plans of the ACNI, Derry City Council, DCAL and others, Derry~Londonderry will be able to continue to define itself and provide the inspiration for other cities undergoing arts-led regeneration through its greatest assets – its arts and its culture.

Underlying the significant social and economic benefits that have been attained through Derry~Londonderry UK City of Culture, there is another, more incipient but no less important element to this year of arts and culture. It would be one of the ACNI's strongest hopes that a year of immersion in the arts will leave an enduring mark on everyone; not just on those whom you might have expected to attend or participate, but everyone, even those people who may not previously have thought of the arts as being for them. We would hope that all the excitement, energy and positivity surrounding this year will raise public consciousness of art across Northern Ireland and that the appreciation becomes ingrained that the arts are indeed for everyone.

A handwritten signature in black ink, appearing to read 'Bob Collins', with a horizontal line underneath.

Bob Collins
Chairman

CHIEF EXECUTIVE'S INTRODUCTION

Happy Days here again

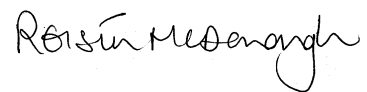
This year in the arts has highlighted the strength and diversity of creative activity taking place right across Northern Ireland. Belfast enjoyed its customary share of creative excellence, including the continued success of the established annual multi-arts festivals – Cathedral Quarter Arts Festival, Belfast Children's Festival, Belfast Festival at Queen's and Feile An Phobal (which reached the milestone age of 25). Nonetheless, Belfast was far from exclusive in headlining the arts as this year we witnessed a distinct shift of emphasis.

Derry~Londonderry was of course the centre of attention throughout its year celebrated as UK City of Culture, the impact of which continues to be far reaching. Yet, in late August, Enniskillen captured the limelight thanks to the Enniskillen Happy Days International Samuel Beckett Festival. Now in its second year, the festival has grown in size, stature and ambition, to become the world's biggest celebration of Nobel Prize writer Samuel Beckett and becoming, in the process, one of the ACNI's major annual investments. As with the cultural celebrations in Derry~Londonderry, the Happy Days festival is having a transformative effect on Enniskillen and its environs, in terms of the quality of the art – Juliet Stevenson, Diana Quick, Robert Wilson, 17 UK and Irish premieres and 13 world premieres - and the wider social and economic benefits this artistic enterprise has brought to Fermanagh. In addition to the considerable revenue generated by the festival and the business created for hotels and businesses in the area, Enniskillen's creative profile has received a tremendous boost. With the Beckett festival, Fermanagh has established a reputation as a high spot for contemporary arts and culture, complementing its rich and ancient cultural heritage. The arts festival consolidated Fermanagh's elevated cultural status following the visit of the G8 leaders in June and the associated attention of the world's media.

It is the ACNI's job to nurture, protect and support the arts across Northern Ireland, so that every citizen has the opportunity to engage with art and with creative excellence. The fine examples of Derry~Londonderry and Enniskillen, as well as the many other creative enterprises taking place day-in-day-out across Northern Ireland, show that, wherever you have creative people prepared to take risks and public bodies prepared to invest in risk, remarkable things happen.

It would be deeply remiss not to acknowledge here the death in August of Seamus Heaney, aged 74. With the death of Seamus Heaney, the world lost one of its most distinguished and best-loved poets. In his lifetime he

published 13 collections of poetry and several volumes of essays, in the process winning a Nobel Prize for Literature plus numerous other awards and becoming a staple of the school curriculum. He was in the front rank of poets writing in any language, possibly the greatest in English since the war, and was the towering figure of Northern Ireland arts. As one of the many tributes said, 'a mighty force has passed among us'.



Roisín McDonough
Chief Executive

Date: 25th June 2014

ANNUAL REPORT

Background Information

Statutory Background

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

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

Principal Functions Related to Grant-in-aid Activities

The ACNI is charged with four statutory functions under the Arts Council (Northern Ireland) Order 1995. These are:

- (a) to develop and improve the knowledge, appreciation and practice of the arts;
- (b) to increase public access to, and participation in, the arts;
- (c) to advise the Department of Culture, Arts and Leisure and other government departments, district councils and other bodies on matters relating to the arts; and,
- (d) such other functions as are conferred on the ACNI by any other statutory provision.

Board Members of the ACNI and members of its Audit and Risk, Grants and Finance & Capital Committees

The ACNI performed its functions during the year ending on 31 March 2014 by making grants to organisations engaged in the arts either on a revenue or on a project basis; by granting awards and bursaries to individuals engaged in the arts; by organising tours of performing and creative artists; by organising and participating in the Forum for Local Government and the Arts; and by advising the Department of Culture, Arts and Leisure and various other public and private bodies on a range of issues relating to the arts. The ACNI is also one of the distributing bodies of the National Lottery. Lottery distributing activities are reported upon separately under the National Lottery Etc. Act 1993. Appointments to the Board are made by the Minister of Culture, Arts and Leisure. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department:

The Board of the ACNI for the year ended 31 March 2014 is shown below.

Board: 1 April 2013 to 31 March 2014

Mr Bob Collins (Chairman)
Mr Damien Coyle (Vice-Chairman)
Mr David Alderdice
Ms Anna Carragher
Ms Noelle McAlinden
Ms Katherine McCloskey
Prof Ian Montgomery
Mr Paul Mullan
Prof Paul Seawright
Mr Brian Sore
Ms Janine Walker (resigned 28 February 2014)
Ms Nisha Tandon (from 1 May 2013)
Mr Conor Shields (from 1 May 2013)
Ms Eibhlinn Ni Dhochartaigh (from 1 May 2013)

The members of the Audit and Risk Committee for the year ended 31 March 2014 were:

Ms Anna Carragher (Chairman)
Ms Katherine McCloskey
Mr Paul Mullan
Ms Janine Walker (resigned 28 February 2014)

The members of the Grants Committee (previously called Lottery and Grants Committee) for the year ended 31 March 2014 were:

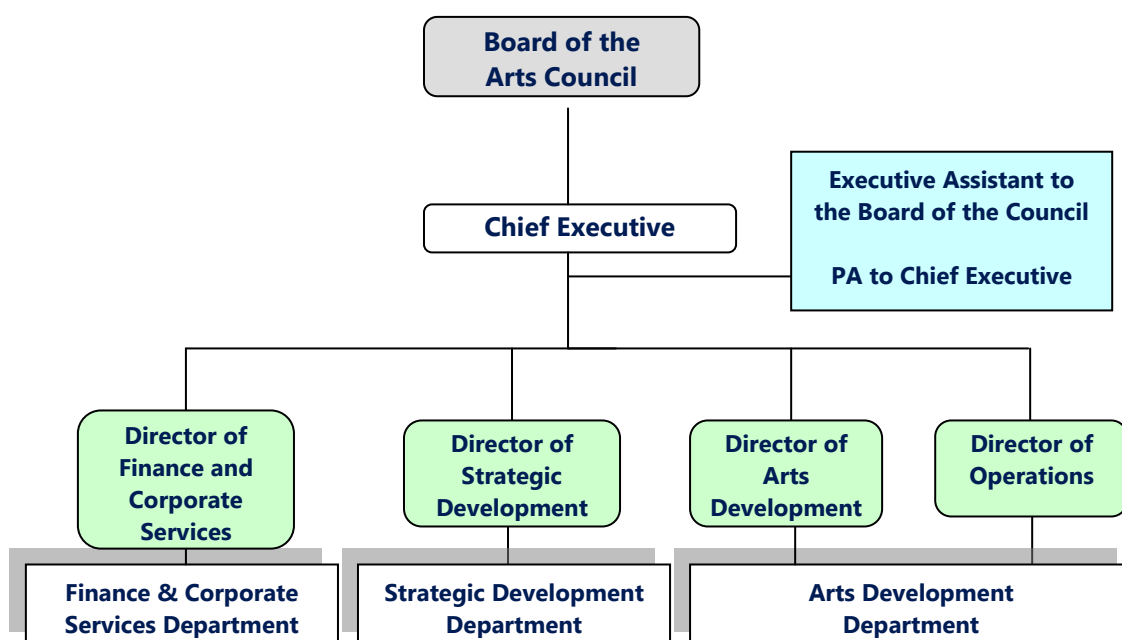
Mr Damien Coyle (Chairman)
Ms Katherine McCloskey
Mr Paul Mullan
Prof Paul Seawright
Ms Janine Walker (resigned 28 February 2014)

The members of the Finance and Capital Committee until 31 March 2014 were:

Mr Brian Sore (Chairman)
Mr Damien Coyle
Prof Ian Montgomery
Mr Billy Lyttle (co-opted member).

Several members of the Board of the ACNI and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. All individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest. A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 19. All of the transactions relating to the organisations were conducted at arm's length by the ACNI.

Organisational Structure



Accounts and Appointment of Auditors

The Accounts of the ACNI are prepared in a form directed by the Department of Culture, Arts and Leisure with the consent of the Department of Finance and Personnel in accordance with Article 8 of the Arts Council (Northern Ireland) Order 1995.

The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Arts Council (Northern Ireland) Order 1995. He is Head of the Northern Ireland Audit Office and he and his staff are wholly independent of the ACNI. He reports his findings to the Northern Ireland Assembly.

The fee for the audit of these financial statements is £13,000 (2012-13: £13,000). This cost is included in other expenditure Note 4(b) in the financial statements. The ACNI did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office or its subcontractors during the year.

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

Policy on Disabled Persons and Equality of Opportunity

The ACNI is committed to equality of opportunity between persons of different religious belief, political opinion, gender, marital status, disability, ethnic origin, age, dependants, sexual orientation or trade union membership. The ACNI has implemented equality legislation and codes of practice to ensure that procedures and policies are fair and lawful. The ACNI actively encourages this within its client/partner network.

Pension Fund

All assets, liabilities and operating costs of the ACNI's pension scheme are recorded in the accounts of the ACNI Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £128,148 (2012-13: £119,273).

The market value of the ACNI's share of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension

scheme's assets (excluding Additional Voluntary Contributions) at 31 March 2014 was £11.173m (31 March 2013: £10.012m) and the present value of the ACNI's share of the scheme liabilities was £14.124m (31 March 2013: £13.765m). The ACNI's share of the Scheme recorded net pension liabilities at 31 March 2014 was £2.951m (31 March 2013: £3.753m).

The accounting policy for pensions is disclosed at Note 1.16 below.

Employee Consultation

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

Payment of Suppliers

The ACNI is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. The target for payment of bills is 10 days from receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review conducted at the end of the year to measure how promptly the ACNI paid its bills found that 93% of the bills were paid within this standard. The comparative figure for 2012-13 was 95%. A review of payment of bills in 30 days from receipt of goods or services found that 100% of the bills were paid within 30 days (2012-13:100%).

Overall for the year the average number of days taken to pay invoices was 5 days (2012-13: 6 days).

Political and Charitable Donations

The ACNI made no political or charitable donations during the year.

Sustainability Report

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

Our sustainable actions include:

- Sustainable development: Sustainable development is a guiding principle of the Architecture and Build policy published by DCAL in 2006. Consistent with this policy our Capital programmes complied with the Government's Achieving Excellence in Construction Initiative which promoted design quality and sustainability in construction, while achieving best value of money;
- Reducing our waste and increasing recycling levels;
- Reducing our contribution to climate change in terms of energy consumption and related CO2 emissions;
- Reducing paper by use of tablet pcs and encouraging duplex printing and printing two pages on A4 paper;
- Participating in the Government's "Cycle to work" scheme;
- Business travel, where possible, continues to be reduced through greater use of video/teleconferencing.

Management Commentary

Nature of Business

The Arts Council of Northern Ireland (ACNI) is the statutory body through which public funding for the arts in Northern Ireland is channelled.

The objectives of the ACNI are:

- (a) to develop and improve the knowledge, appreciation and practice of the arts;
- (b) to increase public access to, and participation in, the arts;
- (c) to advise the Department of Culture, Arts and Leisure and other government departments, district councils and other bodies on matters relating to the arts;
- (d) such other functions as are conferred on the ACNI by any other statutory provision.

1. Financial Results

The ACNI's key financial target is to operate within the allocated Budget for the year. At the end of the year the ACNI realised total net expenditure of £14,248,676 (2012-13: restated £14,757,664). The taxpayer equity at the year-end is in deficit of £1,734,252 (2012-13: £2,947,465).

2. Review of Grant-in-aid Activities

During the year 2013-14, the ACNI's Expenditure on the Arts totalled £13,028,957 (2012:13 restated £13,389,687). This represents a decrease of £0.4m on the previous year (2012:13 restated decrease of £4.5m). Excluding in-year capital grants to arts organisations, the decrease rises to £0.5m (2012-13: £1.4m) on the prior year. Regularly funded organisations were awarded £9.8m (2012-13: £10.3m) – a commendable achievement given the difficult funding environment.

The ACNI's vision is to 'place the arts at the heart of our social, economic and creative life'.

In 2013 the ACNI submitted its new five-year development plan, 2013-18, *Ambitions for the Arts*, to the Department for Ministerial approval. The main themes of the plan and the themes which inform the ACNI's Business Plan for 2013-14, are:

- Champion the Arts
- Promote Access
- Create a Resilient Sector

Champion the Arts

In summary, this theme describes the ACNI's objectives to place the arts at the heart of society.

Strengthening international opportunities for artists from Northern Ireland continued to be a priority area for artist development and the ACNI refashioned its Support for the Individual Artist Scheme accordingly. Through the Artists' International Development Fund, in conjunction with the British Council, artists' placements were facilitated in Nashville, Ottawa, Helsinki, Arimatsu (Japan) and Berlin. Further, the ACNI established international residencies in Brazil and Moscow, is scoping opportunities for residencies in India and has signed a memorandum of understanding with the Centre Culturel Irlandais a Paris to facilitate residency and study opportunities for Northern Ireland artists in Paris.

Now in its third year, the ACNI in collaboration with the Northern Ireland Executive in Brussels ran the 'Brussels Platform', providing opportunities for artists representing all art forms to showcase their work at a series of monthly events at the capital of the European Union. Highlights included Ian McElhinney performing 'A Better Boy' and book readings by Colin Bateman.

Also for a third year, the ACNI maintained a title sponsorship of the Origin First Irish Festival of Theatre 2013, which is considered a gateway to North America for contemporary Irish and Northern Irish playwrights. This year's showcase performance was a Lyric Theatre production of 'Brendan at the Chelsea', starring Adrian Dunbar.

The ACNI recorded a minimum 29% increase on the previous year in the number of news releases developed and sold-in to the media, promoting ACNI and client activities. Audience engagement across social media increased significantly, up 66% on Facebook and 180% on Twitter. News releases and social media output covered the full range of funded activity.

Promote Access

In summary, this theme describes the ACNI's objectives, through its annual funding to arts organisations, to encourage more people and communities to become engaged in the arts, tackling barriers such as poverty and social exclusion.

This year the ACNI completed mapping of arts activity in the 20% most deprived super output areas of Northern Ireland. This work is to support the implementation of an Action Zone Strategy for the Arts. The mapping established that 74% of ACNI funding over all its grant programmes over the last three-year period has gone to the most deprived areas.

Audiences NI in partnership with the ACNI extended the 'Test Drive the Arts' initiative, which offers free tickets to people and groups who have not previously attended the arts, to target existing grassroots community development processes in defined areas of high social deprivation.

The ACNI ran the second year of the 'One City One Book' global concept, promoting local writing through a popular programme of free readings and associated events in venues and libraries. This year the programme, which featured Lucy Caldwell's 'All the Beggars Riding', was extended beyond Belfast to include reading events in Derry~Londonderry.

In year, the ACNI also completed a Community Arts Review and developed a new Community Arts strategy that will be launched in 2014.

Create a Resilient Sector

In summary, this theme describes the ACNI's objectives for supporting artists, arts organisations and the physical infrastructure.

The ACNI awarded £9.848 million to 31 core arts organisations to cover their year-round running and programming costs. Many organisations were returning for the second year of three-year funding. The move from one-year to (up-to) three-year funding for the arts, introduced in the previous year, is a response to the wider economic climate as it introduces a greater degree of stability and enables front line arts organisations to plan ahead with greater confidence.

The ACNI continued to host information sessions during the year for artists and arts organisations on accessing EU funding and opportunities. In addition, the ACNI has established an EU Funding for the Arts Forum, which aims to

support arts and cultural organisations interested in developing EU partnerships, projects and funding applications.

In July the ACNI launched its new five-year Music Strategy, which addresses challenges such as funding restrictions, economic pressures and globalization, also highlighting the positive opportunities available to improve and build upon recent and historical success from within this vibrant sector. In response to the music strategy, a new music touring funding programme was opened to provide support for a more ambitious, dynamic and cohesive approach to our music heritage and in particular, to genres such as jazz, world music, chamber music and contemporary music.

Key Performance Indicators (KPIs)

The ACNI has two main financial key performance indicators KPIs and both were met. They were:

Governance and Accountability	
Target	Outcome
98% of resource programme spend by year end	Resource out-turn 98.8%
97% of capital programme spend by 31/03/2014	Capital out-turn 99.0%

Non-Current Assets

The movement on non-current assets is reported upon in Notes 6 and 7. Assets to the value of £174,612 (2012-13: £233,597) were purchased during the year. Assets totalling £2,593 (2012-13: restated £641,048) with a zero net book value and no longer in use were removed from the register. Non-Operational Heritage Assets of £2,843,204 were gifted during the 2012-13 year to National Museums of Northern Ireland and other Museums.

Future Grant-in-aid Activities

Following the cut to its budget in 2013-14, the ACNI anticipates being able to hold the majority of clients on standstill funding for 2014-15.

Principal Risks

The Board manages risk by ensuring that procedures are in place to verify risk management is regularly reviewed and reported. The Audit and Risk Committee receive and review quarterly risk reports prepared by senior

management. These reports are reported at the subsequent Board meeting. Risk management is fully incorporated into organisational and business planning.

The principal risks considered in the risk register are:

- Impact of the economic downturn;
- Government Funding environment and impact on frontline services;
- Fraud, and
- Ensuring an appropriate five year strategy (approval by the DCAL Minister was received on 1 May 2014).

The Board considers how these risks are managed, the residual risk and action plans as appropriate.

Sickness Absence

The number of sick days reported in 2013-14 was 402 (2012-13: 470). This equates to an average lost working days per employee of 7.1 days (2012-13: 8.2 days), in comparison to the Northern Ireland Civil Service Target of 10 days.

Complaints Handling

The ACNI has a Service Charter which outlines the standard of service the public should expect. The Council operates a Service Complaints Procedure to handle general complaints about our service.

Complaints can be made informally by telephone or formally in writing to the Complaints Administrator. There are different procedures depending on whether the complaint is:

- about a direct ACNI service,
- about a third party organisation or individual funded by the ACNI or
- an anonymous complaint.

Further information on complaints can be found on the ACNI website at <http://www.artscouncil-ni.org/about-us/customer-service/complaints>

A bi-monthly report is provided to the Board on the number of complaints received and the outcome within the period.

There were no direct complaints received in the 2013-14 financial year.

Personal Data

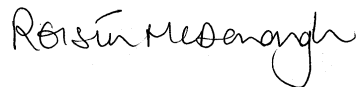
There were no reported personal data related incidents during the year.

Going Concern Basis

The financial statements of the ACNI are produced on the Going Concern Basis. This was formally considered by the Board at its Board meeting on Thursday 27th March 2014. The ACNI is not aware of any reason to adopt a different basis.

Events after Reporting Period

There have been no events after the reporting period which would affect the reader's understanding of the financial statements on pages 45 to 92.



Roisín McDonough
Accounting Officer

Date: 25th June 2014

Remuneration Report

Remuneration Policy

The ACNI Remuneration Committee is a Committee of the Board of the ACNI. The Committee is authorised by the Board to undertake any activity within its terms of reference. Its membership is made up of 4 Board members as follows:

Mr Damien Coyle (Chairman)

Mr Bob Collins

Ms Katherine McCloskey

Mr Brian Sore

Within the ACNI, the Chief Executive is employed at a Senior Civil Service grade. The remuneration of senior civil servants is set by the Minister of Finance and Personnel following independent advice from the Review Body on Senior Salaries. Further information about the work of the review body can be found at <http://www.ome.uk.com>. The old arrangements regarding the pay award for staff in the Northern Ireland Senior Civil Service were based on a system of overlapping pay bands with a very wide range between minima and maxima and no fixed points between these minima and maxima. The new arrangements are based on a system of shorter pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. There has also been confirmation that non-consolidated performance related bonuses will be permanently removed from the SCS remuneration arrangements.

The Remuneration Committee is responsible for assessing the Chief Executive's performance and making recommendations on achievement to DCAL. The Chief Executive has a staff appraisal with the Chairman on the basis of objectives set the previous year in consultation with DCAL. The appraisal meeting also includes discussion of objectives for the incoming year. These are further discussed by the Chairman with DCAL. Subsequent proposed objectives approved by the Remuneration Committee are discussed and agreed with the Chief Executive as appropriate for the year.

All other executive directors within the ACNI are employed at Grade 7. The ACNI's Management Statement directs that Approval of the Department is required to re-grade/create posts at DP level and above, unless otherwise advised by the Department. Staff are appointed on Northern Ireland Civil Service pay scales.

All staff costs are incurred by the ACNI and an appropriate amount is recharged to the Lottery Distribution Account. The apportionment is made at full economic cost and calculated on the basis of the proportion of activity funded by Lottery.

Service Contracts

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

Salary

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

Benefits in Kind

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

Board Members' Honoraria

No emoluments were paid to members of the Board of the ACNI except for Honoraria to the Chairman and Vice Chairman.

The rate of honoraria for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The total cost of honoraria paid in 2013-14 was £13,821 (2012-13: £13,848) as shown in staff costs. This includes £321 (2012-13: £348) of employer's National Insurance Contributions. The amounts received by the Chairman and Vice-Chairman are detailed below:

	Chairman	Vice-Chairman
	£	£
B Collins	10,321	
D Coyle		3,500

Of the total cost of honoraria £6,081 (2012-13: £5,955) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The ACNI does not pay any pension contributions on behalf of the Chairman and Vice-Chairman. These individuals are not included, therefore, in the following pension note.

Bonuses

The Special Bonus Scheme allows ACNI to reward exceptional performance in particularly demanding tasks or situations at any time in the year. In 2013-2014 one staff member received performance bonus of £250 and two received bonuses of £500 each.

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

	Salary	2013-14 Bonus	Benefit in kind	Pension Benefits*	Total	Salary	2012-13 Bonus	Benefit in kind	Pension Benefits*	Total
Officials	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R McDonough (Chief Executive)	80-85	-	-	26	105-110	75-80	-	-	5	80-85
N McKinney (Director of Arts Development)	50-55	-	-	10	60-65	50-55	-	-	16	65-70
G Troughton (Director of Finance and Corporate Services)	45-50	-	-	12	55-60	45-50	-	-	14	60-65
N Livingston (Director of Strategic Development)	50-55	-	-	10	60-65	50-55	-	-	17	70-75
L McDowell (Director of Operations)	50-55	-	-	16	65-70	50-55	-	-	18	65-70
Band of Highest Paid Director's Total Remuneration Median Total Remuneration		80-85							75-80	
Ratio		3.4							2.8	

* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation and does not include any increase or decreases due to a transfer of pension rights.

Median Remuneration

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The median remuneration of the staff is the total remuneration of the staff member(s) lying in the middle of the linear distribution of the total staff, excluding the highest paid director. This is based on annualised, full-time equivalent (FTE) remuneration as at the reporting period date.

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

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

The ratio is calculated as follows:

$$\frac{\text{Midpoint in highest paid director's pay band}}{\text{Median remuneration of ACNI's staff}}$$

ACNI Pensions

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

During the year the ACNI made contributions for 62 (2012-13: 65) employees (not all 62 were employed throughout the year). The NILGOSC scheme is a "multi-employer", defined benefit scheme, which provides members of

participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method. During the year ended 31 March 2014 the ACNI contributed 20% (2012-13: 19%) of gross salary.

	2013-14	2012-13
	£	Restated
		£
Employer's Contribution	568,252	452,040

Pension Entitlements (Audited Information)

	ACCRUED PENSION AT AGED 65 AS AT 31/03/14 AND RELATED LUMP SUM £'000	REAL INCREASE IN PENSION AT AGE 65 AND RELATED LUMP SUM £'000	CETV AT 31/03/14 £'000	CETV AT 31/03/13 £'000	REAL INCREASE IN CETV £'000
R McDonough	30-35 plus lump sum of 75-80	0-2.5 plus lump sum of (0-2.5)	695	659	18
N McKinney	15-20 Plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	336	310	18
G Troughton	5-10 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	96	82	12
N Livingston	20-25 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	466	429	26
L McDowell	20-25 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	473	429	32

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Exit Packages

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

Off Payroll Engagements

There were no off payroll engagements over £58,200 during the 2012/13 or 2013/14 financial year.



Roisín McDonough
Accounting Officer

Date: 25th June 2014

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

Under Section 8 of The Arts Council (Northern Ireland) Order 1995 the ACNI is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Department of Culture, Arts and Leisure with the approval of the Department of Finance and Personnel. The accounts are prepared on an accruals basis and must show a true and fair view of the ACNI's state of affairs at the year end and of its income and expenditure, total changes in taxpayers' equity and cash flows for the financial year.

In preparing accounts the ACNI is required to:

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

The Accounting Officer for the Department of Culture, Arts and Leisure has designated the Chief Executive of the ACNI as the Accounting Officer for the ACNI. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, which is issued by the Department of Finance and Personnel and published in Managing Public Money Northern Ireland.

ARTS COUNCIL OF NORTHERN IRELAND

Governance Statement

Scope of Responsibility

As Accounting Officer, I have responsibility for ensuring the ACNI's business is conducted in accordance with the law and proper standards, and that public money is properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, I am responsible for ensuring the existence of a robust framework of governance and accountability designed to instil a sound system of internal control, manage risk and support the achievements of the ACNI's objectives whilst safeguarding public funds and Departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland. I am also personally responsible for ensuring compliance with the requirement of the ACNI's Management Statement, Financial Memorandum and Statement of Financial Requirements.

This responsibility is supported by the functions of the ACNI; Board; Committees (particularly the Audit and Risk Committee); internal and external audit; the ACNI's risk register as well as accountability meetings with the Department of Culture, Arts and Leisure (DCAL).

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in the 2013-14 financial year.

Corporate Governance Code

The ACNI complies with the principles of good practice detailed in Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 issued by DFP under cover of their letter DAO (DFP) 06/13.

The Board has reviewed and discussed the six principle areas of the code and was content that the ACNI has adopted the practices set out in the code wherever they were relevant, practical and consistent with business needs.

Two principle areas were less relevant to the ACNI:

- (a) Board composition as DCAL makes appointment to the Board. However, the Board has the authority to co-opt where it deems a skill or experience is required.

(b) Arm's Length Bodies. This principle has negligible relevance as the principle was directed towards Departments and their governance arrangements with ALB Boards.

There were no departures in the 2013-14 financial year from the application of relevant principles.

Conflicts of Interest

The Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 also requires the Board to publish how it identified any conflicts of interest and potential conflicts and how these have been managed.

Several members of the Board of the ACNI and members of key management staff are also involved with other arts organisations in Northern Ireland either directly or indirectly as a result of a family relationship, a close friendship or business relationship. All individuals make an annual declaration of their interests and do not take part in discussions and decisions to make grant awards to those organisations with which they have a declared interest.

A list of awards made to the organisations concerned and details of who made the declaration of interest is detailed in Note 19. All of the transactions relating to the organisations were conducted at arm's length by the ACNI.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the ACNI is directed and controlled and the activities through which it accounts to and engages with all stakeholders. It enables the ACNI to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and value for money services and facilities.

The system of internal control is a significant part of that framework and designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place in the ACNI for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Governance Framework

The key elements of the systems and processes that comprise the ACNI's governance arrangements are:

1. Identifying and communicating the ACNI's vision of its purpose and intended outcomes;
2. Reviewing the ACNI's vision and its implications for the ACNI's governance arrangements;
3. Measuring the quality of service, ensuring delivery in accordance with the ACNI's objectives and for ensuring that they represent the best use of resources;
4. Defining and documenting the roles and responsibilities of the Executive, Non-Executive, scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication;
5. Developing, Communicating and embedding Codes of Conduct, defining the standards of behaviour for members and staff;
6. Reviewing and updating the Management Statement and Financial Memorandum, Financial Instructions, Scheme of Delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
7. Undertaking the core functions of an Audit and Risk Management Committee;
8. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
9. Whistle-blowing and for receiving and investigating complaints from internal and external sources;
10. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by training;
11. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Board Membership

The ACNI is vested in and administered by a body corporate known as the Board of ACNI, consisting of a Chair, Vice-Chair and 11 members (as at 31 March 2014) appointed by the DCAL Minister, as set out in the Arts Council (Northern Ireland) Order 1995. There has been one unfilled vacancy during the year and one member resigned from the Board at the end of February 2014.

I am supported by the Board of ACNI. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of Department:

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

The Board held 14 meetings during the year to determine policy for ACNI and make decisions in line with that policy. These meetings were held in my presence and that of my colleagues in senior management who produced papers and information to assist Board decision making. On 26 March the Board had an independently facilitated review of effectiveness. The review provided the opportunity for reflection not available at regular Board meetings and a number of areas for improvement had been identified. The

overall opinion considered that the Board and the organisation were in good health.

The Board has a rolling work-plan and achieved its objectives, which were set out during the year. Two Board meetings held in 2013-14 were not quorate. The overall average attendance rate of members was 65%. No member attended less than 36% of Board meetings.

Board Members Attendance 2013-14

	Board Meetings			Committee Meetings			Total Meetings		
	Act	Poss*	%	Act	Poss	%	Act	Poss	%
David Alderdice	13	14	93	0	0	n/a	13	14	93
Anna Carragher	13	14	93	5	5	100	18	19	95
Bob Collins	13	14	93	1	1	100	13	15	93
Damien Coyle	7	14	50	3	7	43	10	21	48
Noelle McAlinden	8	14	57	0	0	n/a	8	14	57
Katherine McCloskey	10	14	71	6	7	86	16	21	76
Ian Montgomery	7	14	50	3	5	60	10	19	53
Paul Mullan	7	14	50	1	6	17	8	20	40
Eibhlín Ní Dhochartaigh	5	14	36	0	0	n/a	5	14	36
Paul Seawright	9	14	64	2	2	100	11	16	69
Conor Shields	10	14	71	0	0	n/a	10	14	71
Brian Sore	13	14	93	6	6	100	19	20	95
Nisha Tandon	6	14	43	0	0	n/a	6	14	43
Janine Walker	6	12	50	3	6	50	9	18	50

*total Board meetings including annual Board effectiveness session

Members of the Board have delegated some of their tasks to four sub-committees which oversee the activities of management and provide support:

- Audit and Risk
- Finance and Capital
- Remuneration
- Grants

The minutes of committee meetings are standing items on the agenda of Board meetings and the Committee Chairs provide full report on their activities.

Audit and Risk Committee

The Audit and Risk Committee comprises four members and is chaired by a member. It met 5 times during the year and was quorate on each occasion. I attend each meeting along with the Director of Finance and Corporate Services. The Audit and Risk Committee has a rolling work-plan and measures its performance by the achievement of its objectives.

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

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

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

Other Committees

The Finance and Capital Committee comprises three members and one co-opted member, and is chaired by a member. Two of my directors also attend each meeting. This committee met 5 times during the year and was quorate on four occasions.

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

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

The Grants Committee comprises five members and is chaired by a member. It met once during the year and was quorate on this occasion. I attended this meeting along with the Director of Operations.

Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer and Lottery grants, and where appropriate, propose changes to the above for approval by the Board; to take decisions on grant aid within delegated financial limits set by the Board; to advise on National Lottery Distribution Fund (NLDF) balance policy matters.

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

Business Planning

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

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

A new five year strategic plan for the arts in Northern Ireland 2013 – 2018, entitled "Ambitions for the Arts" has been developed by the Board and it elaborates on three key themes as follows:

- Champion the Arts
- Promote Access
- Create a more Resilient Sector

These key themes are discharged by a number of business areas with 9 key performance indicators and the results for the year is:

Milestones achieved	67%	(6)
Milestones still progressing	22%	(2)
Milestones not achieved	11%	(1)

Risk Management

The identification and impact of risk is incorporated into the corporate planning and decision making processes of the ACNI. Consequently the ACNI ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on and are supplemented by detailed best practice guidelines on Public Interest Disclosure (whistle-blowing) and Fraud Management policies among others. The Board receives periodic reports concerning internal control and steps are taken to manage risks in significant areas of responsibility and monitor progress on key projects. A system of risk management is maintained to inform the Board's decisions and all reputational risks to the ACNI are drawn to the attention of the Chairman and are properly managed. The Risk Register is presented to the Audit and Risk Committee at each meeting and to the Board on a quarterly basis. Responsibility for risk management has been assigned to appropriate members of the executive team and officers and is reported on routinely to the Chief Executive and Director of Finance and Corporate Services.

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

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

- Impact of economic downturn on arts organisations resulting in a loss of frontline services;
- Reduction in DCAL / National Lottery funding of the arts resulting in a loss of frontline services;
- Fraudulent activity within client organisation resulting in a loss of public funds;
- ACNI has an inappropriate 5-year strategy resulting in a loss of confidence by DCAL in ACNI's ability to contribute to the Programme for Government.

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

Fraud Risk and Information Risk

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

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

All staff have been provided with a copy of the ACNI Information and IT Security Policy to ensure that they are aware of best practice on how to

protect the data and assets held by the organisation. Additionally, to gain access to the ACNI's computer network, staff are required to acknowledge acceptance of IT policies when they log into their workstations.

Governance & Accountability within ACNI

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

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

Sources of Independent Assurance

KPMG is the Internal Auditor for ACNI. KPMG issued an internal audit assurance statement to the Audit committee of the ACNI in respect of the year ended 31 March 2014. The internal audit assurance statement stated that on the basis of work performed during the year, KPMG can conclude that ACNI has established procedures that are adequate to meet management's control objectives in the systems audited and consequently KPMG provided a satisfactory level of assurance over the control environment at the organisation.

The Comptroller and Auditor General to the Northern Ireland Assembly certifies the accounts and provides an opinion whether, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern the ACNI.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within ACNI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within ACNI. In addition, I have considered the Report to Those Charged with Governance prepared by the external auditors following their audit of the accounts for the year ended 31 March 2014. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

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

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

Quality of Information

The Board has considered the quality of data used by the Board across all business areas and finds the information provided by management suitable for the purposes of making effective decisions. The Board is satisfied with the quality, timing and availability of information with which it is furnished. Appropriate members of the Executive attend Board meetings supported by other ACNI staff upon request. This provides an additional tier of assurance enabling Board members to question further and test the quality, depth and accuracy of information presented. The work of the Audit and Risk Management Committee also aids assurances available to the Board in terms of information with which it is presented. This Committee reviews many of the

core assurance and governance documentation in advance of the Board and is able to confirm information via challenge and the work of internal and external audit.

Internal Governance Divergences – Current and New for 2013-14

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

Four prior year internal audit reports highlighted issues in relation to (i) Grant Funding and Client Management (ii) Data Protection (iii) Mechanisms in place to prevent and detect Fraud and Bribery and (iv) Procurement. These have been resolved and are no longer control issues in 2013-14.

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

Internal audit reported four prior year issues in the end of year review. These four issues originated from the Grant Funding and Client Management internal audit review. The issues all relate to processes and the executive management can advise that all the process issues will be addressed in full by the end of the first quarter 2014-15.

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

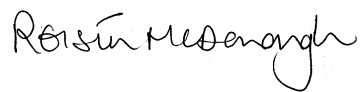
Internal auditors KPMG awarded ACNI a satisfactory level of assurance over its control environment in its assurance statement for 2013-14.

Internal Audit identified a number of areas where ACNI should put procedures in place to strengthen the existing processes and controls in order to fully meet management's control objectives. Overall 14 new recommendations have been identified in the current year, 1 of which have already been addressed and management have agreed a timescale for implementation of the remaining 13 recommendations and 4 prior year issues. These 17 recommendations consist of 13 Priority 2 recommendations and 4 Priority 3 recommendations.

I am pleased to report that recommendations were satisfactorily progressed to allow internal audit to award a satisfactory level of assurance in its assurance statement.

Conclusion

As a result of the above, I believe that ACNI's internal control and governance framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid are not adequate. I believe that ACNI's governance structure has operated successfully in 2013-14.



Roisín McDonough
Accounting Officer

Date: 25th June 2014

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Arts Council of Northern Ireland for the year ended 31 March 2014 under the Arts Council (Northern Ireland) Order 1995. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' 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 Accounting Officer and auditor

As explained more fully in the Statement of 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, certify and report on the financial statements in accordance with the Arts Council (Northern Ireland) Order 1995. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arts Council of Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts Council of Northern Ireland; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Arts Council of Northern Ireland's affairs as at 31 March 2014 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Arts Council (Northern Ireland) Order 1995 and Department of Culture Arts and Leisure directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Culture Arts and Leisure directions made under the Arts Council (Northern Ireland) Order 1995; and
- the information given in Directors Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

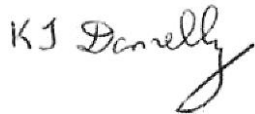
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
30 June 2014

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2013-14 £	2012-13 Restated £
EXPENDITURE			
Staff Costs	3	(2,355,639)	(2,264,474)
Expenditure on the Arts	4(a)	(13,028,957)	(13,389,687)
Depreciation	6&7	(138,364)	(79,742)
Other Expenditure	4(b)	(770,250)	(724,615)
		<u>(16,293,210)</u>	<u>(16,458,518)</u>
INCOME			
Other Income	5(a)	2,044,534	1,700,854
		<u>2,044,534</u>	<u>1,700,854</u>
Net Expenditure		<u>(14,248,676)</u>	<u>(14,757,664)</u>
	Note	2013-14 £	2012-13 Restated £
OTHER COMPREHENSIVE NET EXPENDITURE			
Items that will not be reclassified to net operating costs:			
Net (Loss)/Gain on Revaluation of Property Plant and Equipment	6	(6,034)	29,620
Net Gain on Revaluation of Intangibles	7	12,606	5,765
Actuarial Gain/(Loss)	3(b)	1,050,000	(542,000)
Items that may be subsequently reclassified to net operating costs:			
Net Gain/(Loss) on Revaluation of available for sale financial assets		-	-
Total Comprehensive Expenditure for the year ended 31 March 2014		<u>(13,192,104)</u>	<u>(15,264,279)</u>

The notes on pages 49 to 92 form part of these accounts.

Statement of Financial Position as at 31 March 2014

	Note	31 March 2014	31 March 2013 Restated	31 March 2012
		£	£	£
Non-current assets				
Property, plant and equipment	6	218,506	278,442	239,758
Operational heritage assets	6	110,000	110,000	100,000
Non- operational heritage assets	6	597,600	498,589	3,323,793
Intangible Assets	7	128,590	134,989	62,953
Total non-current assets		1,054,696	1,022,020	3,726,504
Current assets				
Trade and other receivables	10	708,946	380,906	310,848
Cash and cash equivalents	11	621,910	399,915	717,481
Total current assets		1,330,856	780,821	1,028,329
Total assets		2,385,552	1,802,841	4,754,833
Current liabilities				
Trade payables and other liabilities	12	(1,168,804)	(997,306)	(1,332,579)
Total current liabilities		(1,168,804)	(997,306)	(1,332,579)
Non-current assets plus/less net current assets/liabilities		1,216,748	805,535	3,422,254
Non-current liabilities				
Pension liabilities	13	(2,951,000)	(3,753,000)	(3,065,000)
Total non-current liabilities		(2,951,000)	(3,753,000)	(3,065,000)
Total Assets less Liabilities		(1,734,252)	(2,947,465)	357,254
Taxpayer's Equity				
SoCNE reserve		1,118,319	700,534	752,946
Revaluation reserve		98,429	105,001	2,670,308
Pension reserve		(2,951,000)	(3,753,000)	(3,066,000)
		(1,734,252)	(2,947,465)	357,254

The financial statements on pages 45 to 92 were approved by the Board on 25 June 2014 and were signed on its behalf by:

Roisin Mc Donough
Chief Executive

Date: 25th June 2014

The notes on pages 49 to 92 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2014

	Note	2013-14	2012-13
		£	Restated £
Cash flow from operating activities			
Net Expenditure		(14,248,676)	(14,757,664)
Adjustment for non-cash transactions			
Depreciation	6&7	138,364	79,742
Impairment	9	-	50,520
Increase in trade and other receivables		(328,040)	(70,058)
Increase/(Decrease) in trade payables		171,498	(335,273)
Less movements in payables relating to items not passing through the Net Expenditure Account		21,798	(13,208)
Use of pension liability	3(b)	248,000	146,000
Net cash outflow from operating activities		(13,997,056)	(14,899,941)
Cash flows from investing activities			
Purchase of property, plant and equipment		(45,254)	(52,565)
Purchase of Non-operational Heritage Assets		(95,215)	(80,391)
Intangible Assets		(55,941)	(87,433)
Donated Assets		(3,000)	-
Net cash outflow from investing activities		(199,410)	(220,389)
Cash flows from financing activities			
Grants from DCAL		14,418,461	14,802,764
Net financing		14,418,461	14,802,764
Net increase/(decrease) in cash and cash equivalents in the year			
		221,995	(317,566)
Cash and cash equivalents at the beginning of the year	11	399,915	717,481
Cash and cash equivalents at the end of the year	11	621,910	399,915

The notes on pages 49 to 92 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	Note	Pension Reserve	SoCNE Reserve	Revaluation Reserve	Total Reserves
Balance at 31 March 2012		(3,066,000)	752,946	2,670,308	357,254
Changes in Taxpayers' Equity 2012-13					
Net					
Income/(Expenditure)		(145,000)	(14,612,664)	-	(14,757,664)
Restated*					
Net gain on Revaluation		-	-	35,385	35,385
Actuarial Loss		(542,000)	-	-	(542,000)
Restated*					
Gifted		-	(242,512)	(2,600,692)	(2,843,204)
Grant from DCAL		-	14,802,764	-	14,802,764
Balance at 31 March 2013		(3,753,000)	700,534	105,001	(2,947,465)
Changes in Taxpayers' Equity 2013-14					
Net					
Income/(Expenditure)		(248,000)	(14,000,676)	-	(14,248,676)
Net gain on Revaluation		-	-	(6,572)	(6,572)
Actuarial Gain		1,050,000	-	-	1,050,000
Gifted		-	-	-	-
Grant from DCAL		-	14,418,461	-	14,418,461
Balance at 31 March 2014		(2,951,000)	1,118,319	98,429	(1,734,252)

*Figures restated using IAS 19 R. No impact on opening reserves balance for 2013-14

Revaluation reserve in respect of Intangible Assets

2013-14

	£
Balance at 1 April 2013	5,765
Net increase in revaluation during 2013-14	12,606
Balance at 31 March 2014	18,371

The notes on pages 49 to 92 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ACNI for the purpose of giving a true and fair view has been selected. The particular policies adopted by the ACNI for the distribution of public funding for the arts in Northern Ireland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared in accordance with the historical cost convention, modified for the revaluation of property, plant and equipment, intangible assets and heritage assets.

The accounting policies for all material items are outlined below:

1.1 Property, Plant and Equipment

The minimum level for capitalisation as an individual or grouped non-current asset or bulk purchase of small similar assets is £1,000 with the exception of IT equipment which is £500. Items below the threshold of £1,000 or £500 for IT equipment are written off to the Statement of Comprehensive Net Expenditure account.

Plant & machinery includes five Musical Instruments that were independently valued in the 2012-13 year. Other property, plant and equipment have been re-valued at 31 March 2014 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

1.2 Heritage Assets

The ACNI's Art Collection is regarded as a non-operational heritage asset and from 2009-10 is capitalised in the Statement of Financial Position.

All Non-Operational Heritage Assets are shown at valuation. The ACNI believes that its staff are qualified to perform the valuation and to test and analyse valuations as advised by Sotheby's. The ACNI staff involved in the on-going revaluation are Ms. Noírin McKinney, Arts Development Director and Dr. Suzanne Lyle, Collection Curator.

The Operational Heritage Asset relates to a violin the ACNI possesses manufactured by Joseph Gagliano between 1780 and 1782. The violin was donated to the ACNI in 1980. This is classed as an operational heritage asset as it is on loan as an award to an outstanding young violinist from Northern Ireland, through the Ulster Youth Orchestra and is therefore shown in the Non-current Asset note. The violin was valued on 5 February 2013, by J & A Beare Ltd, and is shown in the accounts at fair value.

Operational and Non Operational Heritage Assets are included with property plant and equipment and are shown at fair value. Operational and Non Operational Heritage Assets are not depreciated as they are considered to have an infinite useful life.

In 2009-10 the ACNI received approval from the Department of Culture, Arts and Leisure to gift its historic collection (works purchased from 1943-1999) to accredited museums in Northern Ireland. The ACNI completed the gifting process in 2012-13 financial year with over 1,100 works of art totalling £3 million now in museum ownership.

1.4 Intangible Assets

Purchased and internally generated Websites are capitalised as intangible assets where expenditure of £1,000 or more is incurred. Websites have been re-valued at 31 March 2014 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics. Impairment reviews are performed if and when indications of impairment are identified.

1.5 Depreciation

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. During the year the depreciation method was amended and depreciation is calculated on a monthly basis from month of acquisition. Previously depreciation was calculated on a daily basis from date of purchase. No depreciation is charged in the month of disposal.

The rates of depreciation in use are as follows:

Furniture & Fittings	5-25 years
Leasehold Improvements	5-10 years
Plant & Machinery	25-30 years
Information Technology	3-5 years
Websites	3-5 years
Heritage Assets	N/A

1.6 Operating Income

Government Grants

Grant-in-Aid received used to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, and credited to the SoCNE Reserve, because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs.

Lottery Recharges

Administrative overheads and salaries are apportioned to the Lottery Distribution fund and comprise administrative costs and salaries incurred by the ACNI from which the Lottery benefited indirectly. The apportionment is made at full economic cost and calculated on appropriate bases. Recharges of expenses and salaries are shown in other income.

Other Operating Income

All other operating income received is credited to income in the year to which it is receivable. In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, all donated assets are now recognised as income.

1.7 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date the transaction occurs in the ACNI bank account. If rates fluctuated significantly average rate for the period would be used.

1.8 Leases

Finance Leases:

Leases of property, plant and equipment where the ACNI hold substantially all the risks and rewards of ownership would be classified as finance leases. The ACNI did not hold any finance leases during 2013-14. If finance leases were to exist, the assets would be capitalised at the commencement of the lease term at the fair value of the leased asset. The corresponding lease commitments would be shown as finance leases obligations within liabilities. Depreciation on capitalised leased assets would be charged in line with the depreciation policy for similar assets.

Operating Leases:

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. The building occupied by the ACNI is considered to be an operating lease. Rentals paid under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the period of the lease. Operating leases have been split between Land, Buildings and Other with all future commitments reported in Note 15.

1.9 Financial Instruments

Risk Management

The ACNI is not exposed to the same degree of financial risk faced by business entities. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public Body. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. It is therefore exposed to little liquidity, currency or market risks. The ACNI does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

1.9.1 Financial Assets

Trade and other receivables

Financial Assets within trade and other receivables are recognised and retained at invoiced cost which is considered to equate to fair value as the contractual obligations are short term. Provisions are made specifically where there is objective evidence of a dispute or inability to pay.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and current balance with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

1.9.2 Financial Liabilities

Trade and Other Payables

Financial liabilities within trade and other payables are recognised and retained at invoiced cost which is considered to equate to fair value as all such liabilities are short term in nature.

The ACNI pays grants in accordance with the terms and conditions inherent in the respective funding agreement, letter of offer or grant scheme. Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

1.10 Payment of Grants

Grants awarded to arts organisations and individuals are charged to the Statement of Comprehensive Net Expenditure in the year to which they relate. Any amounts of unpaid grant at 31st March each year are included as liabilities in the Statement of Financial Position.

1.11 Provisions

The ACNI provides for legal or constructive obligations as a result of a past event which are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation.

1.12 Contingent Liabilities

Contingent Liabilities are disclosed in accordance with IAS 37. In addition to the contingent liabilities disclosed in accordance with IAS 37, the ACNI discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefits is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.13 Critical Accounting Estimates and Key Judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the ACNI's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

- **Depreciation of Property, Plant and Equipment**

Depreciation is provided in the accounts so as to write down the respective assets to their residual values over their expected residual lives and as such the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgements. Details of the estimated useful lives are shown in Note 1.5.

- **Impairment of Property, Plant and Equipment**

Where there is an indication that the carrying values of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.

- **Pension and Other Post Retirement Benefits**

The ACNI accounts for Pensions and other post-retirement benefits in line with IAS 19. In determining the pension cost and the defined benefit obligation of the pension scheme, a number of assumptions are used by the Actuary. These include the discount rate, salary growth, price inflation, the expected return on the schemes investments and mortality rates. Further details are contained in Note 3(b).

- **Bad debt provision**

The ACNI created a bad debt provision for an outstanding loan which was converted to a charge during the 2013-14 year. The ACNI assess there is a

high risk of not receiving this money. Therefore the ACNI has created a provision for the full amount of the charge. Further details are contained in Note 18.

1.14 Value Added Tax

The ACNI is not registered for Value Added Tax (VAT). All transactions are therefore stated gross of VAT.

1.15 Employee Benefits

Under IAS 19 an employing entity should recognise the undiscounted amount of short term employee benefits expected to be paid in exchange for the Service. The ACNI has recognised annual leave entitlements that have been earned by year end but not yet taken. These are included in current liabilities.

1.16 Pension Costs

Past and present employees are covered by the provisions of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme.

In accordance with IAS 19 the Scheme Managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as at the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analysis, the limitation of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analysis.

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuations of the scheme were at 31 March 2013.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The increase in the present value of the liabilities of the ACNI's defined benefit pension scheme arising from employee service in the period is

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

A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The figures in the accounts have been calculated under the revised IAS 19 including the restatement of previous years' figures. The ACNI is no longer required to recognise an expected return on assets item in the Statement of Comprehensive Net Expenditure. This is now replaced with a net financing charge which is based on the discount rate assumption.

Actuarial gains and losses are recognised in Other Comprehensive Net Expenditure.

1.17 Early Departure Costs

The ACNI is required to recognise the actuarial liability for the cost of paying pensions of employees who retire early from the date of their retirement until the pension is no longer due to the individuals or their spouses. Given projected life spans, this liability will be payable over a number of years. The ACNI makes a provision each year based on the projected liability.

Each year the provision is recalculated and restated if necessary with any under or over provision charged or credited to the Statement of Comprehensive Net Expenditure. This is part of the IAS 19 Actuarial valuation and it is shown in Note 3(b) Pensions Costs and Commitments.

1.18 Operating Segments

In line with the provisions of IFRS 8: Operating Segments, the ACNI does not analyse its net expenditure by operating segment as it has concluded that it has no separately identifiable operating segments. This conclusion is based on the ACNI's current system/format of internal management reporting to the Chief Executive, Directors and Board who consider financial performance at Board level. It is therefore considered that no further analysis is required to meet the requirements of IFRS 8.

1.19 Reserves

SoCNE Reserve

This is the balance arising from recurrent grants provided by sponsor department DCAL through grant in aid and the net expenditure as reported in the Statement of Comprehensive Net Expenditure for the year.

Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets.

Pension Reserve

This is the balance required by the ACNI to meet the current pension deficit on its share of the NILGOSC pension scheme.

1.20 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2014

The ACNI has reviewed the standards interpretations and amendments to published standards that became effective during 2013-14 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the financial position or results of the ACNI.

Standard	Description of Revision	Comments
IAS 1 – Presentation of Financial Statements (Other Comprehensive Income (OCI)) of financial instruments and pension, and where there will be no impact.	Requiring items of OCI to be grouped on the basis of whether they might at some point be reclassified ('recycled') from OCI profit (e.g. cash flow hedges) or where they will not (e.g. gains on property revaluation). This will make it clearer to users what their potential effect on profit or loss will be in future periods, notably in light of improved disclosure of financial instruments and pensions and where there will be no impact.	The application of the IAS 1 amendment interpreted for the Public Sector context is effective from April 2013 and has been applied by ACNI in 2013-14.
IAS 19 Post-employment benefits (pensions)	The amended IAS 19 introduces a number of changes affecting Recognition, Presentation and Disclosures. It also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for the termination of employment and affect the recognition	The application of IAS 19 amendment interpreted for the Public Sector context is effective from April 2013 and has been applied by ACNI in 2013-14.

1.21 Accounting standards, interpretations and amendments to published standards not yet effective

The ACNI has reviewed the additional or revised accounting standards and new (or amendments to) interpretation contained within the Government Financial Reporting Manual 13-14 and considers that these changes are not relevant to its operations.

Certain new standards, interpretation and amendments to existing standards have been published that are mandatory for the ACNI's accounting periods beginning on or after 1 April 2014 or later periods which the ACNI has not adopted early. Other than as outlined in the table below the ACNI considers that these standards are not relevant to its operations.

Standard	Description of Revision	Effective Date	Comments
IFRS 13 Fair Value Measurement	IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise): The standard defines fair value, provides guidance on fair value measurement techniques and sets out disclosure requirements.	1 Jan 2013	HM Treasury and the relevant authorities will review the implications and follow due process. Will affect ACNI particularly in relation to the valuation of Heritage Assets which are currently valued in-house.

2. Prior Period Adjustment

A prior year adjustment has been made in relation to employee benefits. Under the revised IAS 19 the ACNI is no longer required to recognise an expected return on assets in the Statement of Comprehensive Net Expenditure. This is now replaced with a net financing charge which is based on the discount rate assumption. The ACNI have restated prior year figures for Wages and Salaries in the SoCNE and restated the Actuarial Loss in the Other Comprehensive Expenditure note.

2(a) Reconciliation net expenditure after Prior Period Adjustment at end of reporting period 31 March 2013

	£
Net Expenditure for 2012-13	14,679,664
Prior Period Adjustment IAS 19	<u>78,000</u>
Net Expenditure for 2012-13 after PPA	<u>14,757,664</u>

2(b) Reconciliation taxpayers' equity after Prior Period Adjustment at end of reporting period 31 March 2012

	£
Taxpayer' equity at 31 March 2012	357,254
Prior Period Adjustment IAS 19	<u>-</u>
Taxpayers' equity at 1 April 2012 after PPA	<u>357,254</u>

2(c) Reconciliation taxpayers' equity after Prior Period Adjustment at end of reporting period 31 March 2013

	£
Taxpayer' equity at 31 March 2013	(2,947,465)
Prior Period Adjustment IAS 19	<u>-</u>
Taxpayers' equity at 1 April 2013 after PPA	<u>(2,947,465)</u>

3 (a) Staff costs comprise:

	2013-14		2012-13	
	Permanently employed staff £	Others £	Total £	Restated £
Wages and salaries	1,455,072	286,435	1,741,507	1,740,603
Social security costs	115,057	19,025	134,082	132,909
Agency costs	-	155,544	155,544	149,803
Other pension costs*	485,710	82,542	568,252	452,040
Recharge: Expenditure on Arts	(33,363)	(210,383)	(243,746)	(210,881)
	2,022,476	333,163	2,355,639	2,264,474

*Pension fund costs are included in Staff Costs in the Other pension cost line. The comparative figure for 2012-13 of £67k has been reclassified from Other Expenditure to Staff Costs (other pension costs). The £67k has been restated upwards by an increase of £78k to £145k applying IAS 19 R to previous year's figures.

Recharge Expenditure on Arts is the Staff cost reapportioned and also included within the costs declared in Note 4(a) Expenditure on the Arts for specifically funded projects.

3(b) Pension Costs and Commitments

The ACNI makes employer contributions to the NILGOSC Scheme which is a funded scheme of the defined benefit type. Past and present employees are covered by the provisions of the NILGOSC Scheme. The funded nature of the Local Government Pension Scheme (Northern Ireland) (the LGPS) requires the ACNI and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

The defined benefit obligation is linked to yields on the AA-rated corporate bonds, while a significant proportion of the assets of the scheme are invested in equities. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension asset on the ACNI's Statement of Financial Position and Other Comprehensive Expenditure. It will also lead to volatility in the IAS 19 pension expense in the ACNI Statement of Comprehensive Net Expenditure.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The increase in the present value of the liabilities of the ACNI's defined benefit pension scheme arising from employee service in the period is charged to the Statement of Comprehensive Net Expenditure so as to recognise the cost of pensions over the employees' working lives.

A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The figures in the accounts have been calculated under the revised IAS 19 including the restatement of previous years' figures. The ACNI is no longer required to recognise an expected return on assets item in the Statement of Comprehensive Net Expenditure (SoCNE). This is now replaced with a net financing charge which is based on the discount rate assumption. 2012-13 figures in the SoCNE and Other Comprehensive Net Expenditure have been restated under IAS 19. There was no effect on 13/14 opening balances.

Actuarial gains and losses are recognised in Other Comprehensive Net Expenditure.

The ACNI makes employer contributions to the NILGOSC Scheme which is a funded scheme of the defined benefit type. The fund is invested in suitable investments, managed by the Committee. For 2013-14 the contribution rates were 20% employers and ranging between 5.5% and 7.5% employees (2012-13: 19% employers and between 5.5% and 7.5% employees).

The total employer pension cost under the Scheme was a debit of £568,252 (2012-13 debit of £374,040 restated). It is now possible to define the ACNI's share of the funds, assets/liabilities and as a result the following disclosures are provided in line with IAS 19.

The latest actuarial valuation of the ACNI's liabilities took place as at 31 March 2013. The calculation of the defined benefit obligation involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the Statement of Financial Position and the charge to the Statement of Changes in Net Expenditure. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

(i) Principal Financial Assumptions (% per annum)

	31 March 2014	31 March 2013 (Restated)
	%	%
Discount Rate	4.3	4.5
RPI Inflation	3.4	Not provided
CPI Inflation	2.4	2.8
Rate of increase to pensions in payment*	2.4	2.8
Rate of increase to deferred pensions	2.4	2.8
Rate of general increase in salaries**	3.9	5.1***

* In excess of Guaranteed Minimum Pension increases in payment where appropriate.

** In addition, allowance is made for the same age related promotional salary scales as used at the actuarial valuation of the fund as at 31 March 2013.

*** Salary increases were assumed to be 1% p.a. until 31 March 2015, reverting to the long term assumption shown thereafter.

(ii) Mortality Assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Post retirement mortality (retirement in normal health)

31 March 2014

Males

Year of Birth base table	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table* (years)	0
Scaling to above base table rates	110%
Improvements to base table rates	CMI 2012 with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	22.1
Future lifetime from age 65 (aged 45 at accounting date)	24.3

Females

Year of Birth base table	Standard SAPS Normal Health All Amounts (S1NFA)
Rating to above base table* (years)	0
Scaling to above base table rates	110%
Improvements to base table rates	CMI 2012 with a long term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	24.6
Future lifetime from age 65 (aged 45 at accounting date)	26.9

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2009 service) is 75% of the permitted maximum.

(iii) Asset Allocation

The approximate split of assets for the fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the ACNI in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer value payment).

The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

			Asset Split at 31 March 2014 %	Asset Split at 31 March 2013 %
	Quoted	Unquoted	Total	
Equities	74.2	0.0	74.2	77
Property	0.0	11.2	11.2	8
Government Bonds	5.9	0.0	5.9	11
Corporate Bonds	6.1	0.0	6.1	0
Cash	2.6	0.0	2.6	4
Other *	0.0	0.0	0.0	0
Total	88.8	11.2	100.0	100.0

* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

(iv) Reconciliation of Funded status to Statement of Financial Position

	Value as at 31 March 2014 £'000	Value as at 31 March 2013 £'000
Fair Value of assets	11,173	10,012
Present value of funded defined benefit obligation	(14,124)	(13,765)
Funded status	(2,951)	(3,753)
Impact of minimum funding requirement/asset ceiling	-	-
Asset/(Liability) recognised on the SoFP	(2,951)	(3,753)

The split of defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	44%
Deferred Pensioners	13%
Pensioners	43%

(v) Breakdown of amounts recognised in the Statement of Comprehensive Net Expenditure (SoCNE) and Other Comprehensive Expenditure (OCE)

	Period Ending 31 March 2014 £'000	Period Ending 31 March 2013 Restated** £'000
Operating Cost		
Current service cost*	406	306
Past service cost (including curtailments)	-	6
Settlement cost	-	-
Financing Cost		
Interest on net defined benefit liability/(asset)	162	140
Pension expense recognised in SoCNE	<u>568</u>	<u>452</u>
Remeasurements in OCE		
Return on plan assets (in excess of)/below that recognised in net interest	(672)	(946)
Actuarial (gains)/losses due to change in financial assumptions	(557)	1,507
Actuarial (gains)/losses due to changes in demographic assumptions	(541)	-
Actuarial losses/(gains) due to liability experience	720	(19)
Total amount recognised in OCE	<u>(1,050)</u>	<u>542</u>
Total Amount recognised	<u>(482)</u>	<u>994</u>

* The current service cost includes an allowance for the administration expenses of £0.005m.

** 2012-13 costs have been restated in line with application of IAS 19 R.

(vi) Movement in Deficit during the year

	2013-14	2012-13
	£'000	Restated £'000
Deficit in scheme at beginning of year	(3,753)	(3,065)
Movement in the year		
Current service costs	(406)	(305)
Past service costs (including curtailments)	-	(6)
Contributions	320	305
Net charge on Assets	(162)	(140)
Actuarial gain/(loss)	1,050	(542)
Deficit in Scheme at End of Year	<u>(2,951)</u>	<u>(3,753)</u>

(vii) Changes to the present value of defined benefit obligation during the accounting period

	Period Ending 31 March 2014	Period Ending 31 March 2013 Restated
	£'000	£'000
Opening defined benefit obligation	13,765	11,675
Current Service cost	406	306
Interest expense on defined benefit obligation	613	554
Contribution by participants	107	105
Actuarial (gains)/losses on liabilities -due to change in financial assumptions	(557)	1,507
Actuarial (gains)/losses on liabilities - due to changes in demographic assumptions	(541)	-
Actuarial losses/(gains) on liabilities due to liability experience	720	(19)
Net benefits paid out*	(389)	(369)
Past service costs (including curtailments)	-	6
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	<u>14,124</u>	<u>13,765</u>

*Consists of net cash-flow out of the Fund in respect of the ACNI, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums. Also includes an allowance for fund administration expenses of £0.005M.

(viii) Changes to the fair value of assets during the accounting period

	Period ending 31 March 2014 £'000	Period ending 31 March 2013 (Restated) £'000
Opening fair value	10,012	8,611
Interest income on assets	451	414
Remeasurement gains/(losses) on assets	672	946
Contributions by the employer	320	305
Contributions by the participants	107	105
Net benefits paid out *	(389)	(369)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	11,173	10,012

* Consists of net cash-flow out of the Fund in respect of the ACNI, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums. Also includes an allowance for fund administration expenses of £0.005M.

(ix) Actual return on assets

	Period ending 31 March 2014 £'000	Period ending 31 March 2013 (Restated) £'000
Interest income on assets	451	414
Remeasurement gain/(loss) on assets	672	946
Actual return on assets	1,123	1,360

(x) Sensitivity analysis

The results shown above are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 and the projected services cost for the year ending 31 March 2015 are set out below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised in the notes above. Sensitivity of unfunded benefits is not included on materiality grounds.

Funded LGPS benefits

Discount Rate Assumption

Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	13.873	14.380
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£M's)	0.383	0.405
Approximate % change in projected service cost	-2.8%	2.8%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	14.186	14.063
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£M's)	0.398	0.390
Approximate % change in projected service cost	1.0%	-1.0%

Rate of increase to pensions in payment and deferred pensions assumption

Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	14.317	13.936
% change in present value of total obligation	1.4%	-1.3%
Projected service cost (£M's)	0.399	0.389
Approximate % change in projected service cost	1.3%	-1.3%

Post retirement mortality assumption*

Adjustment to mortality age rate assumption	-1 year	+1 year
Present value of total obligation (£M's)	14.460	13.787
% change in present value of total obligation	2.4%	-2.4%
Projected service cost (£M's)	0.406	0.382
Approximate % change in projected service cost	3.0%	-3.0%

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

(xi) Estimated Profit and Loss/Surplus or Deficit in future periods

The figures below are provided based on the assumption as at 31 March 2014 outlined above.

The ACNI's regular contributions to the Fund for the accounting period ended 31 March 2015 are estimated to be £0.332m.

Funded LGPS benefits – Expected amounts charged to SoCNE

	Period ending 31 March 2015 £'000
Projected service cost*	394
Past service cost	000
Interest on the net defined benefit liability/(asset)	120
Total	514

* The Projected Service Cost includes an allowance for the administration expenses of £0.005m in the period ending 31 March 2015.

The pension cost shown in next years' accounts will be different to that shown above. Reasons why the pension cost may change include:

- A) Actual increase in payroll being different to that used in the calculations. The difference in payroll will particularly affect the current service cost;
- B) Past service costs may not be zero (this cost is that resulting from benefit augmentations or early retirement of individual members before age 60 or on the grounds of efficiency);
- C) Curtailment/settlement events may occur;
- D) Actual cash-flows over the next year may differ from those assumed.

(xii) Funded benefits

The following data has been used in evaluating the figures noted above.

Active Members as at 31 March 2013

	Number	£'000
Total	58	1,595.4

Pensioner & deferred pensioner members as at 31 March 2013

Type	Number	Total Pension £'000
Deferred members*	49	102.3
Pensioners and dependants	44	348.9

* This excludes members who were yet to decide whether to take transfer payments at the valuation date.

Funded Cash-flows (Regular)

	Provided £'000 Months	Provided £'000 Amount	Used £'000 Amount
Employer – Normal contributions	10	266.1	
Employer – Additional capital contributions	10	0.0	
Employer – Early retirement strain on fund payments	10	0.1	
Contributions by the Employer			319.4
Employee – Normal contributions	10	88.8	
Employee – Additional years contributions	10	0.0	
Contributions by participants			106.5
Expected death in service lump sums			4.3
Benefits paid (i.e. pension and lump sums paid)		0.0	380.3
Net benefits paid out			384.6

Cash flows – additional contributions

Description	Amount £'000
Payments in respect of contribution breaks – employer contributions	0.7
Adjustment in respect of 11/12 employee contributions	0.1
Annualised pensionable payroll over the accounting period £(000's)*	
Period ending 31 March 2014	1,596.6
Period ending 31 March 2013	1,571.0

* These figures have been derived from the contributions paid over the relevant accounting period.

(xiii) Fund Return

The overall Fund return over the accounting period has been calculated as 7.3%. This includes an adjustment to reflect the difference between Fund returns and estimated index returns used over the last year. The overall Fund return from the 2013 Valuation date without such adjustment is 8.3% and this return has been used to roll forward the assets notionally allocated to the ACNI at the 2013 Valuation.

3(c) Average number of persons employed:

The average number of whole-time equivalent persons employed during the year was as follows:

	Permanently Employed Staff No.	2013-14 Others No.	Total No.	2012-13 Total No.
Directly employed	43	11	54	59
Other	-	3	3	3
Staff engaged on capital projects	1	-	1	1
Total	<u>44</u>	<u>14</u>	<u>58</u>	<u>63</u>

All of the staff were employed by the ACNI and the proportion in relation to the Lottery Distribution Account is on the basis of average Lottery caseload from the Arts Development Department and on other appropriate bases from the rest of the ACNI.

The table below gives the average number of full time equivalent staff working on the Lottery Distribution Account during the year:

Lottery Distribution Account

	Permanently Employed Staff No.	2013-14 Others No.	Total No.	2012-13 Restated Total No.
Directly employed	19	3	22	24
Other	-	1	1	1
Total	<u>19</u>	<u>4</u>	<u>23</u>	<u>25</u>

3(d) Board Members' Emoluments

No emoluments were paid to members of the Board of the ACNI except for Honoraria to the Chairman and Vice Chairman.

The rate of honoraria for the Chairman is £10,000 per annum with effect from 1 July 2007 and the Vice Chairman is £3,500 per annum with effect from 1 December 2007. The total cost of honoraria paid in 2013-14 was £13,821 (2012-13: £13,848) as shown in wages and salaries. This includes £321 (2012-13: £348) of employer's National Insurance Contributions. The amounts received by the Chairman and Vice Chairman are detailed below:

	Chairman	Vice- Chairman
	£	£
B Collins	10,321	
D Coyle		3,500

Of the total cost of honoraria £6,081 (2012-13: £5,955) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The ACNI does not pay any pension contributions on behalf of the Chairman and Vice Chairman. These individuals are not included, therefore, in the previous pension note.

3(e) Chief Executive's Remuneration

The remuneration received by the Chief Executive, including back dated pay awards, during the year was £83,441 (2012-13: £79,408). The Chief Executive is

an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £48,191 (2012-13: £43,994) of the Chief Executive's employment costs (including employers national insurance contributions and employers pension) have been apportioned to the Lottery Distribution fund to cover time spent on Lottery activities.

3(f) Exit Packages

No executive directors or members of staff of the ACNI received any termination benefits during the year.

4(a) Expenditure on the Arts

	2013-14	2012-13
	£	Restated £
Annual Funding Programme*	9,847,855	10,296,397
Arts Development	561,341	834,723
Visual Arts Development**	109,607	150,000
SIAP	451,118	364,159
Re-Imaging Communities	344,275	54,877
Creative Industries	625,201	649,427
Arts and Older People	359,929	142,515
Capital	526,928	434,738
Legacy Trust	-	277,367
In year funding /Other Artform	182,513	149,390
Central Advisors***	3,384	8,215
Strategy	16,806	27,879
Total	13,028,957	13,389,687

* Annual Funding Programme (AFP) is the updated name for Annual Support for Organisations Programme (ASOP). In the 2013-14 year the total for AFP is shown rather than a breakdown by artform officer portfolio.

** Visual Arts Development costs are shown separately in the 2013-14 year. The comparative figure for 2012-13 has been reclassified into Visual Arts Development and out of Annual Funding Programme.

*** In the 2013-14 year Central Advisors costs were reclassified from Note 4(b) Other Expenditure to Expenditure on the Arts. The 2012-13 comparative figures have been restated to reflect this as it is a more accurate reflection of the type of cost.

4(b) Other Expenditure

	2013-14	2012-13
	£	Restated
	£	£
Rentals under Operating Leases	210,000	209,825
Other Premises Costs	107,828	80,151
Publications and Public Affairs*	74,138	64,626
Expenses and Hospitality		
Artfrom Officers	25,243	23,151
Council and Panel Members	11,554	9,807
Administrative Staff	17,553	13,684
Other Core Expenses	43,207	21,907
Insurances	16,592	24,459
Telephone and Postage	26,855	27,658
IT costs and equipment	105,624	108,055
Legal and Consultancy Fees	41,001	69,755
Audit Fee	13,000	13,000
Stationery	13,188	13,284
Training	32,235	34,343
Advertising*	5,256	7,594
Impairment	-	50,520
Increase in Bad Debt Provision	75,000	-
Recharge to Expenditure on the Arts	(48,024)	(47,204)
Total	<u>770,250</u>	<u>724,615</u>

* In 2013-14 Publications has been removed from the Advertising line above and added to the Public affairs line to give a new grouping called Publications and Public Affairs and a separate line for Advertising. This better reflects the grouping of related expenditure. The comparative 2012-13 figures for Artslink and Public Affairs is now included in the Publications and Public Affairs line above along with the 2012-13 Publications. The 2012-13 Advertising cost is now shown separately above whereas in 2012-13 it was included with Publications.

** As discussed in Note 4(a) above, in the 2013-14 year Central Advisors costs were reclassified from Other Expenditure to Expenditure on the Arts. The 2012-13 comparative figures have been restated to reflect this as it is a more accurate reflection of the type of cost.

*** As noted in Note 3 above, in the 2013-14 year, Pension fund costs are included in Staff Costs in the Other pension cost line. The comparative

figure for 2012-13 of £67k has been reclassified from Other Expenditure to Staff Costs (other pension costs). The £67k has been restated upwards by an increase of £78k to £145k applying IAS 19 R to previous year's figures.

The ACNI did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office or its subcontractors during the year.

Recharge Expenditure on Arts is the Other Expenditure reapportioned and included within the costs declared in Note 4(a) Expenditure on the Arts for specifically funded projects. Other Expenditure includes travel, subsistence and hospitality costs for staff, Council and Panel members. The total spent in the year on travel, subsistence and hospitality is as follows:

	T&S	Hospitality	2013-14	2012-13
	£	£	Total	Total
			£	£
Expenses & Hospitality				
Artform Officers	24,193	1,050	25,243	23,151
Council & Panel Members	9,300	2,254	11,554	9,807
Administrative Staff	13,083	4,470	17,553	13,684
	46,576	7,774	54,350	46,642

The above costs are gross costs to the Exchequer account and £352,414 (2012-13: £258,164 restated (was £318,783)) of these operating cost and salaries costs have been recharged to the Lottery Distribution account and are shown as other income in Note 5(a) below. £48,024 (2012-13: £47,204) of operating costs have been recharged to Expenditure on the arts and are included in Note 4(a) above.

5(a) Other Income

	2013-14	2012-13
	£	Restated £
National Lottery Recharge - administration*	352,414	258,164
National Lottery Recharge - salaries	949,818	926,933
Grant refunded	34,148	700
Administrative & miscellaneous	70,350	27,043
Legacy Trust Income	-	277,367
Creative & Cultural Skills Income	18,000	16,255
Arts and Older people	275,915	139,515
Donated Assets	3,000	-
Re-Imaging Communities	340,889	54,877
Total	<u>2,044,534</u>	<u>1,700,854</u>

* Agency costs for 2012-13 have been reclassified out of National Lottery Recharges –administration line and included in National Lottery Recharges – salaries line to be consistent with the current year and with prior years' presentation and presentation in the Lottery Distribution Accounts for 2012-13 and 2014-15.

5(b) Grant-in-Aid Carry-Over

In line with the Management Statement and Financial Memorandum (MSFM), cash balances accumulated during the course of the year were kept at the minimum level consistent with the efficient operation of the ACNI.

In line with the MSFM, the Department will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as accruals.

The balance of cash at 31 March 2014 was £621,910 (2012-13: £399,915).

6(a) Property, plant and equipment

2013-14	Leasehold Improve- ments £	Furniture & Fittings £	Plant & Machinery £	Information Technology £	Operational Heritage Assets £	Non Operational Heritage Assets £	Total £
Cost or Valuation							
At 1 April 2013	-	53,967	113,500	213,460	110,000	498,589	989,516
Additions	-	-	-	22,792	-	93,015	115,807
Donations	-	-	-	-	-	3,000	3,000
Revaluations	-	1,380	-	(15,946)	-	2,996	(11,570)
Gifted	-	-	-	-	-	-	-
Transfers	-	-	-	(5,792)	-	-	(5,792)
Impairment	-	-	-	-	-	-	-
De-recognition	-	(2,593)	-	-	-	-	(2,593)
At 31 March 2014	-	52,754	113,500	214,514	110,000	597,600	1,088,368
Depreciation							
At 1 April 2013	-	30,686	-	71,799	-	-	102,485
Charge in year	-	4,809	10,343	66,725	-	-	81,877
Revaluation	-	473	(10,343)	(7,734)	-	-	(17,604)
Transfers	-	-	-	(1,903)	-	-	(1,903)
De-recognition	-	(2,593)	-	-	-	-	(2,593)
At 31 March 2014	-	33,375	-	128,887	-	-	162,262
Carrying amount							
At 31 March 2014	-	19,379	113,500	85,627	110,000	597,600	926,106
Carrying amount							
At 31 March 2013	-	23,281	113,500	141,661	110,000	498,589	887,031
Asset Financing							
Owned	-	19,379	113,500	85,627	110,000	597,600	926,106
Carrying amount							
At 31 March 2014	-	19,379	113,500	85,627	110,000	597,600	926,106

	Leasehold Improve- ments	Furniture & Fittings	Plant & Machinery	Information Technology	Operational Heritage Assets	Non Operational Heritage Assets	Total
2012-13	£	£	£	£	£	£	£
Cost or Valuation							
At 1 April 2011 Restated	271,195	64,607	129,411	412,571	100,000	3,323,793	4,301,577
Additions	-	-	-	75,027	-	68,470	143,497
Revaluations	-	1,241	(1,000)	18,409	10,000	44	28,694
Gifted	-	-	-	-	-	(2,843,204)	(2,843,204)
Transfers	(23,635)	10,003	-	13,632	-	-	-
Impairment	-	-	-	(6)	-	(50,514)	(50,520)
De-recognition	(247,560)	(21,884)	(14,911)	(306,173)	-	-	(590,528)
At 31 March 2013	-	53,967	113,500	213,460	110,000	498,589	989,516
Depreciation							
At 1 April 2012	264,995	42,407	14,914	315,710	-	-	638,026
Charge in year	-	2,855	10,462	42,596	-	-	55,913
Revaluation	-	778	(10,462)	8,758	-	-	(926)
Transfers	(17,435)	6,530	-	10,905	-	-	-
De-recognition	(247,560)	(21,884)	(14,914)	(306,170)	-	-	(590,528)
At 31 March 2013	-	30,686	-	71,799	-	-	102,485
Carrying amount							
At 31 March 2013	-	23,281	113,500	141,661	110,000	498,589	887,031
Carrying amount							
At 31 March 2012 Restated	6,200	22,200	114,497	96,861	100,000	3,323,793	3,663,551
Asset Financing Restated							
Owned	-	23,281	113,500	141,661	110,000	498,589	887,031
Carrying amount							
At 31 March 2013	-	23,281	113,500	141,661	110,000	498,589	887,031

Plant & Machinery includes Musical Instruments:

- 3 Steinway Model D Grand Pianos which have been valued on 25 January 2013, by Steinway & Sons Ltd,
- 1 Yamaha Grand Piano which has been valued on 26 January 2013, by Henderson Music,
- 1 Harpsichord which has been valued on 26 January 2013, by C Nobbs, and is shown in the accounts at fair value.

Other property, plant and equipment have been re-valued at 31 March 2014 using the latest available indices published in 'Price Index Numbers for Current Cost Accounting' prepared by the Office for National Statistics.

6 (b) Non-Operational Heritage Assets

The ACNI's Art Collection is considered a heritage asset. The Collection tells a story of the visual arts in Northern Ireland; the Collection growing organically, through long periods of turbulence which it often reflects, responded to the preoccupations of the art community and to the changing cultural environment. Starting a collection was deemed by the ACNI for the Encouragement of Music and the Arts (CEMA) the ACNI's predecessor, to be one of its highest priorities. At its formation in February 1943, one of CEMA's first actions was to purchase paintings as its 1944-45 annual report explained 'with a view to encouraging local artists and for the purpose of forming a permanent collection of its own, the ACNI decided to allocate a small sum of money for the purchase of pictures by local artists', the intention being to circulate pictures within the public domain. The Collection had developed in this way over the years. In recent years the collection has been exhibited in schools, hospitals and public buildings as well as museums and galleries throughout Northern Ireland, in circulating exhibitions at home and abroad, at the offices of the ACNI, and also held in secure storage. In 2009-10 the ACNI received approval from the Department of Culture, Arts and Leisure to gift its historic collection (works purchased from 1943-1999) to accredited museums in Northern Ireland. The ACNI completed the gifting process during the 2011/12 and 2012-13 years with over 1,100 works of art totalling £3million now in museum ownership.

The ACNI recognises the importance of purchasing contemporary work as a means of supporting artists. Accordingly, the ACNI, supported by DCAL, allocated an acquisitions fund of £93,015 for 2013-14. In order to qualify artists must have been living in Northern Ireland for 12 months before date of purchase of work and have made a contribution to artistic activities in Northern Ireland. Artists from Northern Ireland who are living elsewhere will also be considered. Artists not from Northern Ireland whose work is of

particular relevance to Northern Ireland will be considered in exceptional circumstances. Priority is given to artists whose work is both challenging and innovative. Emerging as well as established artists are eligible. Works in all media are considered, including painting, sculpture, crafts, prints photography, video and emergent art forms. The ACNI considers accepting gifts to the collection. Such works are assessed against the same criteria as for purchase. Works are considered against the following criteria – quality, innovation and challenging nature of the work, evidence of the artistic achievement of the artist's contribution to visual arts in Northern Ireland, relevance of purchase to furtherance both of the artist's career and to the ACNI's Funding objectives.

7. Intangible assets

2013-14	<u>Websites</u>	<u>Software*</u>	<u>Total</u>
	£	£	£
Cost or Valuation			
At 1 April 2013	166,801	-	166,801
Transfers	(102,052)	107,844	5,792
Additions	18,725	40,080	58,805
Revaluations	(6,936)	(12,025)	(18,961)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	76,538	135,899	212,437
Amortisation			
At 1 April 2013	31,812	-	31,812
Transfers	(23,116)	25,019	1,903
Charge in year	20,225	36,262	56,487
Revaluation	(1,889)	(4,466)	(6,355)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	27,032	56,815	83,847
Carrying amount			
At 31 March 2014	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	49,506	79,084	128,590

Carrying amount

At 31 March 2013	134,989	-	134,989
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Asset Financing

Owned	49,506	79,084	128,590
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Carrying amount

At 31 March 2014	49,506	79,084	128,590
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2012-13

<u>Websites</u>	<u>Total</u>
£	£

Cost or Valuation

At 1 April 2012 Restated	67,189	67,189
Additions	90,100	90,100
Impairment	9,512	9,512
At 31 March 2013	166,801	166,801

Amortisation

At 1 April 2012	4,236	4,236
Charge in year	23,829	23,829
Revaluation	3,747	3,747
At 31 March 2013	31,812	31,812

Carrying amount

At 31 March 2013	134,989	134,989
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Carrying amount

At 31 March 2012	62,953	62,953
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Asset Financing

Owned	134,989	134,989
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Carrying amount

At 31 March 2013	134,989	134,989
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* In the 2013-14 year software was reclassified into its own category.

8. Financial Instruments

As the cash requirements of the ACNI are met through Grant-in-Aid provided by DCAL, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the ACNI's expected purchase and usage requirements and the ACNI is, therefore, exposed to minimal credit, liquidity or market risk.

The ACNI do not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

9. Impairment

	2013-14	2012-13
	£	£
Charged direct to the Statement of Comprehensive Net Expenditure	-	50,520
Impairment of PPE charged to Revaluation Reserve	-	-
Impairment of Intangibles charged to Revaluation Reserve	-	-
Total Impairment Charge for the Year	-	50,520

10. Trade receivables and other current assets

	31 March 14	31 March 13	31 March 12
	£	£	£
Amounts falling due within one year:			
Trade receivables	76,868	100,287	13,342
Other receivables	602	75,000	75,000
Prepayments and accrued income	631,476	205,619	222,506
	708,946	380,906	310,848

10.1 Intra Government Balances

	31 March 14	31 March 13	31 March 12
	£	£	£
		Restated*	
Amounts falling due within one year:			
Central Government	141,687	129,350	89,429
Local Authorities	5,298	-	-
Intra Government Receivables	<u>146,985</u>	<u>129,350</u>	<u>89,429</u>
Bodies external to Government	561,961	251,556	221,419
	<u>708,946</u>	<u>380,906</u>	<u>310,848</u>

*An amount of £75k for An Gaearas loan was reclassified from Central Government to Bodies External to Government and an amount of £29,063 for accrued income from the Lottery Distribution account was reclassified from Bodies external to Government to Central Government to reflect the correct analysis of these amounts in the correct categories.

11. Cash and cash equivalents

	31 March 14	31 March 13	31 March 12
	£	£	£
Balance at 1 April	399,915	717,481	710,958
Net change in cash and cash equivalent balances	<u>221,995</u>	<u>(317,566)</u>	<u>6,523</u>
Balance at 31 March	<u>621,910</u>	<u>399,915</u>	<u>717,481</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	621,910	399,915	717,481
Short term investments	-	-	-
Balance at 31 March	<u>621,910</u>	<u>399,915</u>	<u>717,481</u>

12. Trade payables and other current liabilities

	31 March 14	31 March 13	31 March 12
	£	£	£
Amounts falling due within one year:			
VAT	-	-	2,473
Other payables	970,860	799,649	1,171,708
Accruals and deferred income	197,944	197,657	158,398
	<u>1,168,804</u>	<u>997,306</u>	<u>1,332,579</u>

12.1 Intra Government Balances

	31 March 14	31 March 13	31 March 12
	£	£	£
Central Government	19,792	13,000	75,038
Local authorities	120,542	406	32,026
Other public bodies	-	-	12,300
Intra Government Payables	<u>140,334</u>	<u>13,406</u>	<u>119,364</u>
Bodies external to Government	<u>1,028,470</u>	<u>983,900</u>	<u>1,213,215</u>
	<u>1,168,804</u>	<u>997,306</u>	<u>1,332,579</u>

13. Non- current liabilities

	31 March 14	31 March 13	31 March 12
	£	£	£
Pension deficit	(2,951,000)	(3,753,000)	(3,065,000)

Details of the pension scheme are outlined in Note 3(b) above.

14. Capital Commitments

There was no contracted capital commitments as at 31 March not otherwise included in these financial statements (2012-13: Nil)

15. Commitments under Leases

Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 14	31 March 13	31 March 12
	£	£	£
Obligations under operating leases for the following periods comprise:			
<i>Buildings</i>			
Not later than one year	210,000	210,000	210,000
Later than one year and not later than five years	210,000	420,000	630,000
Later than five years	-	-	-
	420,000	630,000	840,000
<i>Other</i>			
Not later than one year	3,385	3,385	595
Later than one year and not later than five years	2,836	6,222	1,934
Later than five years	-	-	-
	6,221	9,607	2,529

16. Other Financial Commitments

The ACNI gave a loan to a client, An Gaelaras in 2008-09, the repayment of which was dependant on the sale of a building belonging to the client. The loan amount of £75,000 has been carried and included in Other Receivables at Note 10 above. In 2013-14 the loan was converted to a charge to secure the financial assistance advanced to An Gaelaras by the ACNI. The charge is to subsist for a term of 10 years. Due to the uncertainty in the property market and the fact that the ACNI will have only second priority, the ACNI assessed that there was a high risk of non-repayment, therefore, the full value of the loan has been provided for in 2013-14 and is netted off the loan amount in Note 10 above. The amount of this provision will be reassessed annually and adjustment made as necessary.

The payments to which the ACNI are committed during 2013-14 analysed by the period during which the commitment expires are as follows:

	31 March 14	31 March 13	31 March 12
	£	£	£
Not later than one year	-	75,000	75,000
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
	<u>-</u>	<u>75,000</u>	<u>75,000</u>

17. Contingent Liability disclosed under IAS 37

The ACNI has the following contingent liability. Under direction from the Department of Culture, Arts and Leisure, the ACNI changed the pension arrangements for some of its staff in April 2012. This action may be subject to legal challenge and the impact on the ACNI is unknown at this stage.

18. Losses and special payments.

A specific bad debt provision was created in 2013-14 to provide for the full amount of a loan (which was converted to a charge in 2013-14 year) to a client where there is a high risk of non-repayment. Further details are outlined in Note 16 above.

During 2012-13 the process of gifting the old art collection items valued at £50,514 were written off with DCAL approval received in 2013-14. The write-offs arose during reconciliation where verification identified administration errors and items lost by loan recipients.

19. Related-party transactions

The ACNI is a Non Departmental Public Body sponsored by the Department of Culture, Arts and Leisure (DCAL). DCAL is regarded as a related party and during the year the ACNI had various material transactions with DCAL as referred to in Note 5(b) above and as shown in the Statement of Changes in Taxpayers Equity.

The ACNI's National Lottery Distribution Account is also regarded as a related party to the ACNI Exchequer Account. At 31 March 2014 a net amount of £137,646 (2012-13: £129,350 was owed by the National Lottery Distribution Account to this account in respect of salary and other administrative costs incurred. These amounts are included in the Trade and Other Receivables figure of £708,946 (2012-13: £380,906) shown in Note 10 above and the Trade Payables and other Current Liabilities balance of £1,168,804 (2012-13:

£997,306) in Note 12 above. Trade receivables also include an amount of £4,041 owed to the Chief Executive at year end for overpaid employee National Insurance Contributions.

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

Name	Nature of relationship	Organisation Name	Awarded in 13-14	Paid in 13-14	Balance as at 31 March 2014**
Board Members					
Anna Carragher	Daughter is an employee of Craft NI & Culture Night	Craft Northern Ireland	166,479	166,331	2,899
Brian Sore	Committee member of Arts Care	Arts Care	12,961	-	12,961
	Life member of Royal Town Planning Inst - user and partner of PLACE	PLACE	17,668	534	19,134
Conor Shields	Employed by CAP	Community Arts Partnership	191,051	189,542	1,509
	Trustee of Cathedral Quarter Trust	Cathedral Quarter Arts Festival	126,100	126,100	-

Name	Nature of relationship	Organisation Name	Awarded in 13-14	Paid in 13-14	Balance as at 31 March 2014**
Damien Coyle	Employer involved in Arts Care project.	Arts Care	12,961	-	12,961
	Partner recently stepped down as Chair of Flaxart Studios.	Flaxart Studios	45,084	45,255	569
	Employer involved in project based in at the MAC	The MAC	1,205,000	1,000,000	205,000
Eibhlin Ni Dhochartaigh	Employee of An Gaelaras; member of Comhaltas	An Gaelaras Ltd	139,535	139,535	-
Paul Seawright	Employee of UU	University of Ulster	9,995	8,996	1,000
Nisha Tandon	Board Member of Cahoots	Cahoots NI Ltd	141,764	140,300	1,000
Janine Walker	Co-founder Spanner in the Works, employed as actress by same org	Spanner in the Works	14,100	14,100	-
	Formerly employed by Arts & Business NI	Arts & Business Northern Ireland	463,418	466,635	23,171
	Volunteers with Replay Theatre Company	Replay Theatre Company	181,651	187,151	3,000
	Appoint to staff of Lyric March 2014 (resigned from ACNI Board 28/02/14)	The Lyric Theatre (NI)	1,069,500	1,067,345	5,451

Name	Nature of relationship	Organisation Name	Awarded in 13-14	Paid in 13-14	Balance as at 31 March 2014**
Ian Montgomery	Member of SMT of University of Ulster and Executive Director of University of Ulster Foundation	University of Ulster	9,995	8,996	1,000

Staff Members					
	Friend/acquaintance of Mary Trainor of Arts & Business	Arts & Business Northern Ireland	463,418	466,635	23,171
Beverley Coomber	Friend/acquaintance of Jill O'Neill	Refound	9,924	10,819	-
Damian Smyth	Verbal Arts Centre/Lagan Press - professional connections with this organisation were severed as of 31 December 2012.	Verbal Arts Centre	265,467	316,927	997
Deirdre Robb	Member of Creative Exchange Artists Studios	Creative Exchange	28,671	28,188	483
Gilly Campbell	3rd Party Claim against Tinderbox Theatre Company	Tinderbox Theatre Company	213,400	213,400	-

Name	Nature of relationship	Organisation Name	Awarded in 13-14	Paid in 13-14	Balance as at 31 March 2014**
Esther Haller Clarke	Previously worked with ACNI funded groups	Cathedral Quarter Arts Festival	126,100	126,100	-
	Previously worked with ACNI funded groups	Belfast Festival at Queen's	189,150	239,150	-
	Previously worked with ACNI funded groups	Prime Cut Productions Ltd	155,249	159,249	-
	Previously worked with ACNI funded groups	Big Telly Theatre Company	207,231	157,600	49,631
	Contract with Creative Exchange	Creative Exchange	28,671	28,188	483
Fionnuala Walsh	Partner on board of Digital Arts Studio	Digital Arts Studios	13,195	12,504	691
	Partner Acting Chair of PLACE NI	PLACE	17,668	11,534	8,134
	Partner employed by delivery partner of Beckett Festival.	Happy Days Enniskillen International Beckett Festival	25,000	27,500	2,500
Jane Cassidy	Daughter participates in Oh Yeah's Scratch My Progress programme.	Oh Yeah Music Centre	5,250	4,961	289
Joanna Harvey	Former Interest Ceased: Young at Art Children's Festival	Young at Art	169,416	167,744	2,000

Name	Nature of relationship	Organisation Name	Awarded in 13-14	Paid in 13-14	Balance as at 31 March 2014**
Ken Bartley	Brother Member of QSS	QSS @ Bedford Street	31,606	31,606	-
	Brother has had exhibition in Crescent Arts Centre	Crescent Arts Centre	252,835	235,900	17,935
	Was board member of Big Green Global which have run events at the Cathedral Quarter Arts Festival	Cathedral Quarter Arts Festival	126,100	126,100	-
Nick Livingston	Daughter on 6 week unpaid work placement with Arts & Business	Arts & Business Northern Ireland	463,418	466,635	23,171
Roisin McDonough	Member of Cathedral Quarter Trust Group	Cathedral Quarter Arts Festival	126,100	126,100	-
Stephen McManus	Previously employed by Arts and Disability Forum	Arts and Disability Forum	4,000	53,002	15,250
Suzanne Lyle	Friend of architect who works for Robinson McIlwaine Architectural Practice, landlords of Golden Thread Gallery	Golden Thread Gallery	200,259	205,404	2,024
Vincent Crossey	Treasurer of Wheelworks	Wheelworks	10,578	9,558	1,020

* Paid in 2013-14 includes payments relating to awards made in previous years.

** Balance as at 31 March 2014 includes all awards made in 2013-14 and previous years where an outstanding balance remains.

20. Non- Controlling Structured Entity

In 2010 the ACNI received a bequest of £579k upon Trust. The ACNI administer "The Rosy James Bursary" on behalf of the Rosemary James Trust. The objective is to provide funding assistance to individual artists/designers and makers to pursue their careers by developing a new body of work. The annual value of the award is up to £15,000.

21. Events after the reporting period

There have been no events after the reporting period outside the ordinary course of business that would materially affect the ACNI since 31 March 2014.

Date for authorisation for issue

The Accounting Officer authorised these financial statements for issue on 30 June 2014.



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