

# Arts Council of Northern Ireland Lottery Distribution Account 2017-18

# Arts Council of Northern Ireland Lottery Distribution Account 2017-18

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

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# Performance Report

This Performance Report focuses on matters relevant to all users of Financial Statements. Although it is designed to be a self-standing document, much of the information contained in it is simply a summary of information provided in other documents and is therefore cross-referenced as appropriate. The Performance Report has two sections: an 'Overview' and a 'Performance Analysis'.

## Overview

The purpose of the 'Overview' section of the Performance Report is to give the user a brief summary that provides the lay user with sufficient information to understand the organisation, its purposes, the key risks to the achievement of its objectives and how it has performed during the year. It consists of the Chair's Foreword, Chief Executive's Introduction and the Purposes of the Arts Council of Northern Ireland.

## Chairman's Foreword

The Arts Council is the statutory body which, since the inception of the National Lottery in 1994, has been responsible for the administration and distribution of Lottery funds to the arts in Northern Ireland. Funding decisions are guided by the directions contained in the National Lottery Act and by the strategic priorities published in the Arts Council's current five year plan for the arts, *Ambitions for the Arts, 2013-18*.

The Board of the Arts Council is advised on Lottery matters by the Grants Committee. In addition to its role in advising on Exchequer funding programmes and policies, the Committee also advises the Board on policy issues relating to the Arts Council's National Lottery Fund. It also monitors all matters relating to the administration of the Arts Council's National Lottery fund, and takes decisions on grant aid within delegated financial limits set by the Board. The Committee presently has full delegated authority to award grants to applicants where the award is within the delegated band of £25,000 - £50,000.

National Lottery funding is integral to the delivery of the Arts Council's strategy for developing the arts, providing a major resource to help us meet our objectives across a wide range of areas. The Arts Council's capacity to support the widest range of creative activity throughout the region is dependent upon a combination of Exchequer and National Lottery resources.

*John Edmund*  
Chairman, Arts Council of Northern Ireland

27 November 2018

## Chief Executive's Introduction

The National Lottery provides an essential source of investment which enables the Arts Council to support the full range of programming needs of artists and arts organisations. The funding also ensures that the benefits of the arts can be shared by everyone, regardless of background or circumstance and includes the most vulnerable, isolated and hard-to-reach people and communities. In 2017-18, Lottery funding supported a number of landmark arts events and provided the resources for the Arts Council to maintain specific initiatives targeting specific areas of identified need.

The second annual Arts & Age Festival provided a month-long celebration of the excellent projects happening throughout Northern Ireland as part of the Arts & Older People Programme. The programme, funded by the Arts Council, the Public Health Agency and The Baring Foundation, supports health and wellbeing, using creativity as a tool to tackle social justice issues faced by older citizens. It has been running since 2013 and has, in that time, succeeded in involving more than 21,500 older people in the widest possible range of arts activities, from painting to stilt walking. It has in the process helped to position Northern Ireland as an international leader in this field. An impact evaluation report on the Arts & Older People Programme, 'The State of Play', was published to coincide with the 2017 festival.

The Arts Council also published an interim evaluation of another of its current social development initiatives, the £600,000 'ARTiculate' Young People and Wellbeing Arts Programme, which in March 2018 concluded the first year of its three-year lifespan. Co-funded by the Public Health Agency, 'ARTiculate' has to date supported 14 arts projects, engaging young people in creative activities designed to encourage self-expression and the development of self-confidence and self-motivation. Initial indications from the young participants are extremely encouraging, with significant improvements noted in relation to quality of life and greater awareness of mental health issues.

National Lottery funds made up a vital part of the costs of maintaining the Arts Council's Regularly Funded Organisations. In total, 99 key organisations received Lottery funds of £4,701,891 for programming costs. An additional £1.5 million of Lottery funds was subsequently awarded to 50 arts organisations through the Arts Council's Lottery Project Programme, to contribute to the growth of the arts in the community for new and existing audiences; and 86 organisations delivering community-engagement initiatives across the region received a further £355,450 through the Small Grants scheme.

Lottery funds continued to support individual artists through the Support for the Individual Artist Programme, with 20 emerging artists receiving additional support through the Artist Career Enhancement Scheme, which provides bursaries of up-to £5,000 plus mentoring opportunities. Composer Professor Piers Hellawell, playwright Shannon Yee, performance artist Sinéad O'Donnell and visual artist/filmmaker Mairéad McClean received Major Individual Artist Awards of £15,000, making it possible for these artists to produce ambitious work that will contribute to the development of their careers. Two of these artists, Shannon Yee and Sinéad O'Donnell, had previously received support through the Arts & Disability Forum's Lottery-funded iDA awards, which make available grants of up-to £5,000 to disabled and deaf artists.

This year, with the support of National Lottery funding, we witnessed the continuing achievement of artists and arts organisations, in the arts, in health, in education, in regeneration and in social development. Of particular note, Culture Night Belfast attracted more than 100,000 visitors to 300 free arts and cultural events, generating an estimated associated spend of £2.5 million in the city centre; the Foyle O-Bon family festival, supported by the Arts Council's Intercultural Programme, showcased the outreach programme running throughout the year, promoting the arts and cultural heritage of the growing Japanese and shared heritage communities in the North West; Open Arts Community Choir, comprising people with and without disabilities, won triple gold representing Northern Ireland in competition against choirs from all over the world at the European Choir Games in Latvia; the Seamus Heaney HomePlace, supported by the Arts Council's Local Government Challenge Fund, celebrated its first year of operation, in which time its international arts programming has attracted 40,000 visitors from 20 countries, transforming Bellaghy into a cultural destination. Evidence, if more were needed, of the scale of positive impact that National Lottery funding has on the creative life of Northern Ireland.

*Roisín McDonough*  
Chief Executive

27 November 2018

# Purpose of Activities of the Arts Council of Northern Ireland

## Background Information on the Arts Council of Northern Ireland

The Arts Council of Northern Ireland (Arts Council) 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 Arts 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 origins of the Arts Council date from 1943 when the Council for the Encouragement of Music and the Arts in Northern Ireland was set up. Initially funds were provided by the Pilgrim Trust and matched by the Ministry of Education for Northern Ireland. At the present time the Arts Council is funded via grant-in-aid by the Department for Communities (DfC). The affairs of the Arts Council are managed by a Board consisting of the members listed in the Directors Report. The Chief Executive, Roisín McDonough, is the Principal Executive Officer of the Arts Council and is supported by a professional staff responsible for subject and functional areas of the Arts Council's programme.

## Statutory Background

The National Lottery was established by the National Lottery etc. Act 1993, as amended by the 1998 Act, to raise money for 'good causes' through the sale of lottery tickets.

The National Lottery Distribution Fund (NLDF) was established in 1994 to receive and hold monies generated by the National Lottery for good causes. Section 21 of the National Lottery etc. Act 1993 places the NLDF under the control and management of the Secretary of State for Digital, Culture, Media and Sport.

The Arts Council of Northern Ireland is charged under the Act with responsibility for distributing Lottery proceeds allocated to the arts in Northern Ireland. Lottery proceeds are also distributed through other distributing bodies to Sport, National Heritage, Charities, and to the Arts in England, Scotland and Wales.

The Department for Digital, Culture, Media and Sport (DCMS) manage the flow of funds between Camelot (the operator of the National Lottery) and the distributing bodies. DCMS seek annual assurances from the Accounting Officer of each lottery distributing body that they have in place adequate systems of internal control and have complied with the current Financial Directions.

## Principal functions related to National Lottery Distribution Activities

The Arts Council is responsible for the administration and distribution of funds raised by the National Lottery. The Board made its first awards to applicants for Lottery funding in 1995-96. The principal function is to fund applications for a broad range of capital and revenue projects in the Arts which will make an important and lasting difference to the quality of life of the people in Northern Ireland.

## 2017-18 National Lottery Distribution Activities

During 2017-18 the Arts Council continued to deliver a range of funding programmes:

- Annual Funding;
- Arts & Older People;
- Small Grants;
- Project Funding;
- Support for Individual Artists (including General Awards, Artists' Career Enhancement Scheme, Major Awards);
- Local Government Challenge Fund; and,
- Articulate – A 3-year programme jointly funded with the Public Health Agency

Work began on the Resilience programme which is jointly funded with Belfast City Council and negotiations commenced with Derry City & Strabane District Council on a similar programme. It is anticipated that both programmes will open during 2018-19.

The Arts Council entered a new 2-year delegation agreement with NI Screen to support the development and production of film.

## Future Developments in National Lottery Distribution Activities

The Arts Council will continue to offer the programmes above, with the exception of the Local Government Challenge Fund under which all grants have been allocated and which are being delivered over a 2-year period.

The Arts Council will open a new Creative Schools Programme, working with the Education Authority and jointly funded with Urban Villages. The programme aims to improve outcomes for young people; support school development priorities; and, strengthen connections between young people, post-primary schools and the local community.

## Comment on National Lottery Distribution Fund (NLDF) Balance Policy

As at the 31 March 2018, Arts Council Lottery Account balances at NLDF totalled £2.9m (31 March 2017: £3.3m), a decrease of £0.4m on the prior year.

The NLDF balance is classified as investments in the Statement of Financial Position. This is in line with DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through reserves.

Current contracted grants payable plus trade and other payables total £2.9m. The Arts Council considers that it has sufficient liquid resources within the NLDF and cash balances of £3.5m as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on projections received from DCMS.

In 2017 the Arts Council revised its NLDF policy (Appendix B) to improve compliance with the requirements of National Lottery Guidance Note 1/03. The objective of this policy is for the Arts Council to maintain its NLDF balance at a prudent level based on a realistic assessment of its needs and the availability of funding from NLDF. The Arts Council's NLDF balance will be set at a level that will maximise its ability to achieve its strategic objectives, that will ensure that present commitments are not compromised and that will not impair or constrain its ability to enter into future commitments.



Although income is not entirely within its control, the Arts Council has arrived at the proposed target NLDF balance, by making realistic assessments of forecasts for levels of income in future years (based on NLDF forecasts), and the Arts Council's assessment of:

- Both the 'upside' and 'downside' risks to those forecasts;
- Its forecasts for expenditure in future years on the basis of commitments made and planned activity;
- Its analysis of any future needs, opportunities, contingencies or risks which are not likely to be able to be met out of income if and when they arise; and
- The likelihood, on the best evidence available, of each of those needs arising and the potential consequences for the Arts Council of not being able to meet them.

Having carefully considered the above, the Arts Council Board approved a target NLDF balance for 31 March 2018 of £0.016 million. The actual NLDF balance was £2.9m and the higher actual balance was due mainly to less expenditure than budgeted, a larger commitments balance at year end than profiled and a small increase in NLDF income received in year compared to forecast.

### Key Issues and Risks

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

### Social and Community Issues

The Arts Council supports generous charitable giving by staff through payroll giving.

### Going Concern Basis

The Lottery Distribution Accounts of the Arts Council are produced on the Going Concern Basis. This was formally considered by the Board at its Board meeting on Wednesday 7th November 2018. The Arts Council is not aware of any reason to adopt a different basis.

The Department for Communities (DfC) are currently undertaking a review of all arms-length bodies. The review will not be complete till financial year 2018-2019 at the earliest.

The Arts Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and cash balances of £3.5m as well as forecasted NLDF income to cover the total of the current and non-current liabilities of £2.9 million. The forecasted NLDF income is based on projections received from DCMS.

### Research and Development

The Arts Council of Northern Ireland has no activities in the defined field of research and development.

### Interest Rate and Currency Risk

The Arts Council Lottery Distribution Account has no borrowing, relying primarily on Lottery funding for its cash requirements and is therefore not exposed to liquidity risks. It has also no material deposits. Therefore the Arts Council is not exposed to material interest rate risk and as all significant assets and liabilities are determined in sterling it is not exposed to material currency risk.

### Political and Charitable Donations

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

## Payment of Suppliers

The Arts Council is committed to the prompt payment of bills for goods and services in accordance with the Confederation of British Industry's Prompt Payment Code. 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 Arts Council paid its bills found that 97% of the bills were paid within this standard. The comparative figure for 2016-17 was 97%. A review of payment of bills in 30 days from receipt of goods or services found that 100% (2016-17: 100%) of the bills were paid within 30 days.

Overall for the year the average number of days taken to pay invoices was 4 days (2016-17: 4 days).

## Pension Fund

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Arts Council of Northern Ireland Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £157,629 (2016-17: £142,983).

The market value of the Arts Council's share of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme's assets (excluding Additional Voluntary Contributions) at 31 March 2018 was £15.481m (31 March 2017: £14.847m) and the present value of the Arts Council's share of the scheme liabilities was £19.723m (31 March 2017: £18.799m). The Arts Council's share of the Scheme recorded net pension liabilities at 31 March 2018 was £4.242m (31 March 2017: £3.952m).

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Exchequer entity. Details of this pension scheme are available within the Arts Council's Exchequer accounts.

## Accounts and Appointment of Auditors

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in accordance with sections 35(2) and 35(3) of the National Lottery etc. Act 1993.

The financial statements are also prepared in accordance with:

- The form directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of the Department for Communities (DfC) in Northern Ireland and the approval of HM Treasury in accordance with Section 35(2) – (3) of the National Lottery etc. Act 1993; and
- 2017-18 Government Financial Reporting Manual issued by HM Treasury.

DfC also issued, on behalf of DCMS, revised Lottery Policy Directions to the Arts Council on 16 April 2008, a copy of which is attached to the end of these financial statements in Appendix A.

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

The fee for the audit of these financial statements was £26,000 (2016-17: £26,000). This cost is included within Expenditure Note 2 in the financial statements. The Arts Council did not purchase any non-audit services from its external auditor.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Arts Council's auditors are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information. The Accounting Officer is responsible for ensuring that the financial statements as a whole are fair, balanced and understandable and takes personal responsibility for them and the judgements required for determining that they are fair, balanced and understandable.

## Complaints Handling

The Arts Council has a Service Charter which outlines the standard of service the public should expect. The Arts 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 Arts Council service;
- About a third party organisation or individual funded by the Arts Council; or
- An anonymous complaint.

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

Two reports were provided to the Board on the number of complaints received and the outcome within the period.

There were 0 direct complaints received in the 2017-18 financial year (5 in the 2016-2017 financial year).

## Performance Analysis

### Key Performance Indicators (KPIs), Risk and Uncertainty

A reduction in National Lottery funding of the arts is a significant risk which could result in the loss of frontline services.

The NLDF Balance Policy Statement (Appendix B) highlights that the Arts Council's policy is to maintain its NLDF balance at a prudent level based on a realistic assessment of its needs and the availability of funding from NLDF.

Although income is not entirely within its control, the Arts Council has arrived at the proposed NLDF target by making realistic assessments of forecasts for levels of income in future years (based on NLDF forecasts), and the Arts Council's assessments of associated risks to those forecasts, forecasts for expenditure in future years as well as an analysis of future needs, opportunities and contingencies or risks.

In light of this the target NLDF balance for 31 March 2018 was agreed at £0.016m.

The Arts Council manages its NLDF balance and target by using a range of management tools including management accounts, commitment to best practice and continuous improvement and the following two KPIs which reflect the policies and targets adopted.

The Quicker Turnaround KPI

100% of decisions to be made within published deadline

Achieved

The Quicker Close Out KPI

90% of grants to be closed out within two months of the project end

Not Achieved

The close out rate varies between grant programmes:

<b>Grant Programme</b>	<b>% of grants closed out within 2 months of the project end</b>
Project Funding	67%
Annual Funding Programme	66%
Support for the Individual Artist Programme	78%

There are two contributing factors impacting on the Quicker Close Out KPI:

- The close out of grants is totally dependent on provision of paperwork by supported clients; and
- Letters of offer include deadlines for submission of final reports and clients are reminded of the deadline and in some cases given extensions. Reports against the KPI are run against letter of offer dates and do not include these extensions.

### Financial results

The Arts Council of Northern Ireland's Lottery Distribution results are set out in the Statement of Comprehensive Net Expenditure.

Total income received from the National Lottery totalled £9,182,930 (2016-17: £9,157,423). A recoupment was also received from NI Screen of £18,349 (2016-17: £65,682). Additional income of £174,189 (2016-17: £182,536) was received for ring fenced projects.

During the year the Arts Council made net commitments of £8,270,114 (2016-17: £8,719,597) to applicants and contributed £100,000 (2016-17: £150,000) for Cross Border Touring.

The total administrative costs to the Arts Council of its distribution activities, including staff costs, were £1,510,126 (2016-17: £1,529,374).

## Equity at the year end

The Lottery Distribution Account showed net expenditure of £504,772 in 2017-18 (2016-17: net expenditure of £954,453). At 31 March 2018 the total equity showed a surplus of £723,302 (31 March 2017: surplus of £1,228,074).

## Review of National Lottery distribution activities

During the 2017-18 year, 866 (2016-17: 821) eligible applications were received by the Arts Council seeking grants of £12,486,666 (2016-17: £12,955,133) across the main Lottery programmes. The total number of applications received and the total number of awards are not directly related as, due to year end and timing of award programmes, applications can be received in one financial year and decided in another.

By the end of the year the Arts Council had made 543 commitments (2016-17: 519) through the main programmes, totalling £8,006,891 (2016-17: £8,342,671).

NI Screen made 51 commitments (2016-17: 78) totalling £300,719 (2016-17: £559,195) under its 3-year delegation agreement with the Arts Council.

Therefore in aggregate commitments were made in year totalling £8,307,610 (2016-17: £8,901,866).

## Additionality

The Arts Council of Northern Ireland recognises and respects the additionality principles of Lottery funding. Lottery funding enables us to extend the reach and increase the impact of the activity that we could undertake if Exchequer funds alone were available. Together with the other Lottery distributors, we have agreed to share the following common definition of additionality:

“Lottery funding is distinct from government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements government and other programmes, policies and funding.”

We have regard to the principles of additionality and this policy when we set the strategic objectives of our Lottery-funded programmes and when we decide how each programme will operate. We have, and will continue to use, Lottery funding to fund specific, time-limited activity that would not take place without the support of Lottery.

## Respect for Human Rights

It is the policy of the Arts Council that, during the course of their employment, no employee receives less favourable treatment or is discriminated against on the grounds of their sex including gender reassignment, pregnancy or maternity leave, marital or civil partnership status, sexual orientation, race or ethnic origin, religious belief, political opinion, national identity, age, or disability.

## Anti-corruption, Anti-fraud and Anti-bribery Matters

The Arts Council has a number of policies in place, designed to minimise the risk of fraud. These are; Anti-Fraud and Anti-Bribery Policy, Conflicts of Interest Policy, Whistleblowing Policy, Gifts and Hospitality Policy and Code of Conduct for Staff. Staff received training on Fraud Awareness, Bribery and Corruption during the course of the year.

During 2017-18 there were no incidents of fraud relating to Arts Council Lottery.

## Sustainability Report

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

Our sustainable actions include:

- Reducing our waste and increasing recycling levels;
- Reducing our contribution to climate change in terms of energy consumption and related CO<sub>2</sub> emissions;
- Reducing paper by use of tablet computers and encouraging duplex printing and printing two pages on A4 paper;
- Participating in the Governments "Cycle to work" scheme;
- Reducing business travel, where possible, through greater use of video/teleconferencing; and
- Encouraging all tendered Arts Council suppliers to devise and implement Social Clauses/Corporate Social Responsibility (CSR) policies.

*Roisín McDonough*  
Accounting Officer

27 November 2018

# Accountability Report

## Corporate Governance Report

### Directors' Report

#### **Board Members of the Arts Council of Northern Ireland and members of its Audit and Risk, Grants and Finance and Capital Committees**

Appointments to the Board are made by the Minister for Communities. The Chair and members of the Board have individual and collective responsibility to the Minister as Head of the Department:

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

The Chief Executive of the Arts Council of Northern Ireland is Roisin McDonough.

The Board of the Arts Council of Northern Ireland for the year ended 31 March 2018 is shown below:

#### Board: 1 April 2017 to 31 March 2018

Mr John Edmund	(Chairman)
Dr Katy Radford	(Vice-Chair)
Mr David Alderdice	
Ms Anna Carragher	
Ms Noelle McAlinden	
Ms Katherine McCloskey	
Mr Paul Mullan	
Dr Leon Litvack	
Ms Siún Hanrahan	
Ms Roisin Erskine	
Mr Cian Smith	
Ms Nisha Tandon	(until 30 April 2017)
Mr Conor Shields	(until 30 April 2017)
Mr Jarlath Kearney	(until 6 October 2017)

The members of the Audit and Risk Committee for the year ended 31 March 2018 were:

Ms Anna Carragher	(Chair)
Mr Paul Mullan	
Ms Roisin Erskine	
Mr Gerry Crossan	(co-opted member)
Mr Jarlath Kearney	(until 6 October 2017)

The members of the Grants Committee for the year ended 31 March 2018 were:

Dr Katy Radford	(Chair)
Mr David Alderdice	
Mr Paul Mullan	
Ms Siún Hanrahan	

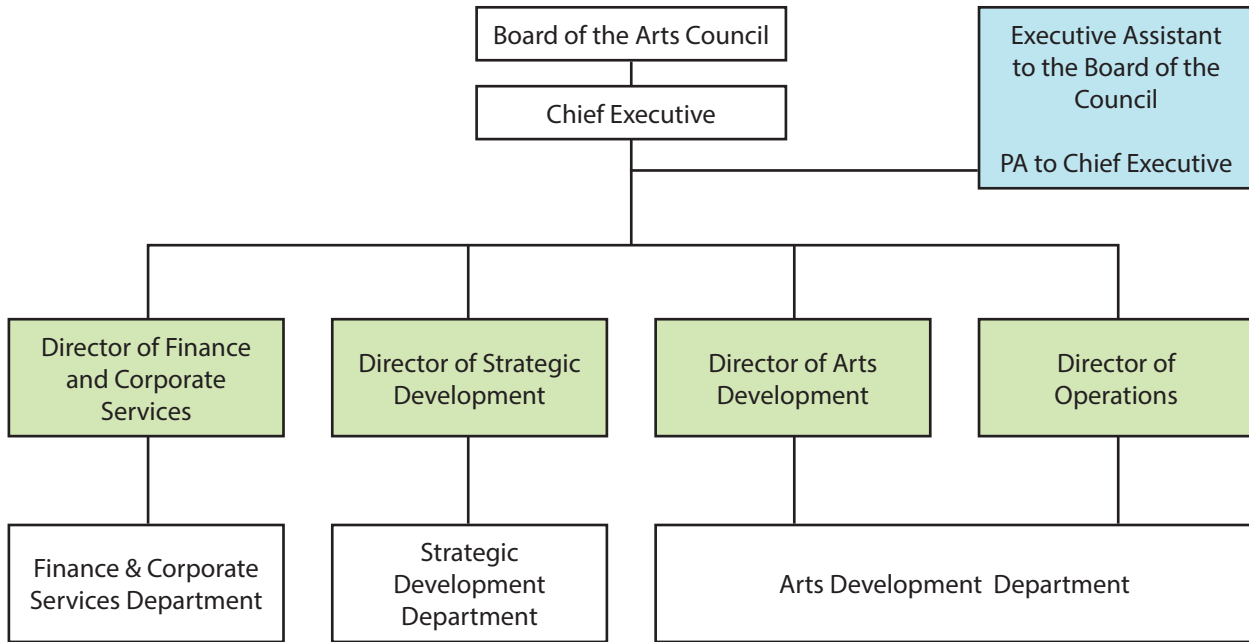
The members of the Finance & Capital Committee for the year ended 31 March 2018 were:

Dr Leon Litvack	(Chairman)
Ms Siún Hanrahan	
Ms Katherine McCloskey	
Mr Gerry Crossan	(co-opted member)

Several members of the Board of the Arts Council 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 17. The Register of Interests is also online on the Arts Council website. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.



### Organisational Structure



### Personal Data

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

## Statement of Arts Council's and Accounting Officer's responsibilities

The Arts Council of Northern Ireland is required to prepare a statement of accounts for each financial year in the form directed by the Secretary of State for Digital, Culture, Media and Sport with the consent of the Department for Communities in Northern Ireland and the approval of HM Treasury in accordance with Section 35(2) – (3) of the National Lottery etc. Act 1993.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Arts Council of Northern Ireland's lottery distribution activities at the year end and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Department for Communities (formerly Department of Culture, Arts and Leisure) on behalf of the Secretary of State for the Department for Digital, Culture, Media and Sport, 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;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

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

# Governance Statement

## Scope of Responsibility

As Accounting Officer, I have responsibility for ensuring the Arts Council'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 Arts Council'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 Arts Council's Management Statement, Financial Memorandum and Statement of Financial Requirements.

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

I also combine my Accounting Officer role with my responsibilities to the Department including any Ministerial directions. There were no Ministerial directions in the 2017-18 financial year.

## Corporate Governance Code

The Arts Council complies with the principles of good practice detailed in Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013 issued by Department of Finance and Personnel (now Department of Finance (DoF)) under cover of their letter DAO (DFP) 06/13.

The Board reviewed and discussed the six principles of the code at a Board effectiveness day on Thursday 29 March 2018. The Board was content that the Arts Council has adopted the practices set out in the code wherever they were relevant, practical and consistent with business needs.

Two principles were less relevant to the Arts Council:

- a Board composition because the Department for Communities (DfC) Minister makes appointments to the Board. However, the Board has the authority to co-opt to its committees where it deems a skill or experience is required.
- b Arm's Length Bodies (ALBs). This principle has negligible relevance as it was directed towards Departments and their governance arrangements with ALB Boards.

There were no departures in the 2017-18 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 Arts Council 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 17. All of the transactions relating to the organisations were conducted at arm's length by the Arts Council.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Arts Council is directed and controlled and the activity through which it accounts to and engages with all stakeholders. It enables the Arts Council 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 Arts Council for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts, and accords with Department of Finance (DoF) guidance.

## Governance Framework

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

- 1 Identifying and communicating the Arts Council's vision of its purpose and intended outcomes;
- 2 Reviewing the Arts Council's vision and its implications for the Arts Council's governance arrangements;
- 3 Measuring the quality of service, ensuring delivery in accordance with the Arts Council's objectives and 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 Implementing procedures for 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; and
- 11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

## Board

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

The Board held ten meetings during the year to determine policy for the Arts Council and make decisions in line with that policy. Nine meetings were Board meetings and one meeting was for Board effectiveness training. I attended all the Board meetings. My Directors attended nearly all the ten Board meetings and produced papers and information to assist Board decision making. On Thursday 29 March 2018 the Board of the Arts Council of Northern Ireland met to review its effectiveness and consider governance and operational management according to the requirements of the Northern Ireland Audit Office (NIAO) Board Effectiveness Good Practice Guide. The meeting was facilitated by Ian Snowden, Deputy Secretary, Engaged Communities, DfC. The Board considered all of those matters prescribed by the Guide and where necessary approved the operational response. The Board considered Committee performance and the relevance of current structures and committee memberships, mindful that the Council is moving into a new planning phase as it develops a new corporate plan. The Board reviewed and approved its current work-plan and determined to establish a working group to deliver the next corporate plan. The Board considered positively its operational relationship with the Executive and noted the importance of having time to review the functioning of Arts Council Northern Ireland in light of the current environment within which the arts operates.

The Board has a rolling work-plan and achieved its objectives, which were set out during the year. The overall average attendance rate of members was 70%.

**Attendance at Board and Committee Meetings 2017-18**

	Board Meetings			Committee Meetings			Total Meetings		
	Actual	Possible	%	Actual	Possible	%	Actual	Possible	%
John Edmund (chair)	9	10	90	1	1	100	10	11	91
Katy Radford (vice Chair)	8	10	80	6	6	100	14	16	88
David Alderdice	7	10	70	2	6	33	9	16	56
Anna Carragher	7	10	70	5	5	100	12	15	80
Siún Hanranhan	5	10	50	8	10	80	13	20	65
Jarlath Kearney <sup>1</sup>	1	4	25	3	3	100	4	7	57
Leon Litvack	8	10	80	6	6	100	14	16	88
Noelle McAlinden	8	10	80	0	0	N/A	8	10	80
Katherine McCloskey	5	10	50	5	6	83	10	16	63
Roisin Erskine <sup>2</sup>	3	10	30	2	5	40	5	15	33
Paul Mullan	9	10	90	8	10	80	17	20	85
Cian Smyth	6	10	60	0	0	N/A	6	10	60
Gerry Crossan	0	0	N/A	6	10	60	6	10	60
Conor Shields <sup>3</sup>	1	1	100	N/A	N/A	N/A	1	1	100
Nisha Tandon <sup>3</sup>	1	1	100	N/A	N/A	N/A	1	1	100

1 Jarlath Kearney retired from the Board on the 6 October 2017.

2 Roisin Erskine was unable to attend any Board or Committee meetings after the 6 July 2017 through to the 31 March 2018 due to a pregnancy related illness

3 Conor Shields and Nisha Tandon retired from the Board on the 30 April 2017.

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; and
- Grants.

## Audit and Risk Committee

The Audit and Risk Committee comprises three members and one co-opted member, and is chaired by a member. It met five times during the year. I attended three meetings; the Director of Finance and Corporate Services attended all five meetings and the Operations Director attended four meetings. 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 the Arts Council; and also reviewing its own effectiveness, constitution and terms of references and reporting the results of that review to the Board.

The Audit and Risk Assurance Committee Handbook (NI), issued under cover of DAO (DFP) 05/14, sets out five principles to be followed. These principles are:

- Principle 1: Membership, independence, objectivity and understanding;
- Principle 2: Skills;
- Principle 3: The role of the Audit and Risk Assurance Committee;
- Principle 4: Scope of work; and
- Principle 5: Communication and reporting.

The Audit and Risk Committee formally considered these principles at the Board effectiveness meeting on Thursday 29 March 2018 and confirmed it complied with the principles.

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. This committee met five times during the year. The Director of Finance and Corporate Services and the Director of Operations attended all five meetings and I attended four meetings. Its terms of reference cover the proposal to the Board for the annual budget of the Arts Council; 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 Statement of Cash Flow; 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 five members and is chaired by the Vice Chair. 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 terms of reference annually to ensure it is operating to maximum effect and recommends any changes considered necessary to the Board for approval. The Committee carried out this review at the Board's effectiveness meeting on Thursday 29 March 2018. The Director of Finance and Corporate Services attended this meeting.

The Grants Committee comprises four members and is chaired by a member. It met five times during the year. I attended four meetings; the Director of Operations attended all five meetings and the Director of Arts Development attended two meetings. Its terms of reference include reviewing the programmes, policies and procedures relating to the payment of Exchequer and Lottery grants, and where appropriate, proposing changes to the above for approval by the Board and taking decisions on grant aid within delegated financial limits set by the Board. 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.

## 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 includes key performance indicators, milestones and targets linked to the Programme for Government and Public Service Agreements for the forthcoming year. It also links 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 Arts Council'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 DfC's governance and accountability meetings.

These key themes are discharged by a number of business areas with two key performance indicators. The results for the year are:

Milestones achieved	100% (1) <sup>1</sup>
Milestones still progressing	- -
Milestones not achieved	66-78% (1) <sup>1</sup>

## Risk Management

The identification and impact of risk is incorporated into the corporate planning and decision making processes of the Arts Council. Consequently the Arts Council ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on and are supplemented by detailed best practice guidelines on Public Interest Disclosure (whistle-blowing) and Fraud Management policies among others. The Board receives periodic reports concerning internal control and steps are taken to manage risks in significant areas of responsibility and monitor progress on key projects. A system of risk management is maintained to inform the Board's decisions and all reputational risks to the Arts Council are drawn to the attention of the Board and are properly managed. The Risk Register is presented to the Audit and Risk Committee 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 Arts Council Risk Register. The Risk Register forms part of the annual business plan of the Board, having been previously endorsed by the Audit and Risk 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 Arts Council consider the following to be the most significant areas of risk:

- Litigation: Personnel disputes including redundancy policy, pension reform and discrimination;
- Public perception of the Arts Council arising from Board conflict; and
- Reduction in DfC / National Lottery funding of the arts resulting in a loss of frontline services.

All three matters pose a risk to the reputation of the Arts Council in respect of the potential additional work required and costs incurred which would divert precious staff time and funds away from front line services.

In 2011 the sponsoring Department completed an ALB sponsorship risk assessment of the Arts Council. The overall rating assigned to the Arts Council by that process was medium / low and remains unchanged.



## Fraud Risk and Information Risk

The Arts Council has a fraud policy that is reviewed on an annual basis. It is given to all new staff at their induction, and staff receives training appropriate to their grade and duties. The Arts Council 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. The Arts Council is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

The Arts Council 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. The NIAO publication "Conflicts of Interest – A Good Practice Guide" March 2015 has been circulated to the Board to assist members recognise actual and perceived conflicts of interest.

All staff have been provided with a copy of the Arts Council 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. The Council's computer system is hosted on an IT Assist platform. Additionally, to gain access to the Arts Council's computer network, staff are required to acknowledge acceptance of IT policies when they log into their workstations.

## Governance & Accountability within the Arts Council

The annual internal audit plan is created on a risk basis. Grant Thornton our internal auditors prepared their plan based on information provided from the following sources:

- Discussions with the Arts Council's senior management;
- Discussions with the Chairman of the Audit and Risk Committee;
- The corporate Risk Register;
- Annual report and financial statements;
- Specific areas requested by the Department for inclusion;
- Prior internal audit recommendations; and
- Inclusion of core financial areas which form the basis of the system of internal control.

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 and Risk 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 Directors have achieved in clearing up points raised by both internal and external auditors in previous years.

## Evaluation of the Council's corporate governance, financial planning and control

In January 2018 the Department for Communities commissioned an independent review of the Council's corporate governance, financial planning and control. The review followed various communications received by the Department with differing views about the financial management and governance systems and procedures.

The report acknowledged significant issues with the working relationships between the Chairman, Board and the Executive and made a number of recommendations designed to underpin better Board working, while establishing closer communication between the Arts Council, its Board and the Department and improved understanding of each other's needs.

The review concluded in March 2018 and made the following five recommendations:

- 1 The Chair should appoint a facilitator to manage the strategy workshop for the Board which should have a clear purpose of initiating work towards an agreed strategic plan by Autumn 2018;
- 2 The Chair should invite a senior departmental representative to the strategy workshop;
- 3 The Board should debate and agree a code of conduct to which they will adhere and subsequently remind themselves prior to each meeting;
- 4 The Department should have a senior level observer at Council meetings (for the next few months); and
- 5 The departmental observer at the Audit and Risk Committee should ensure that the Department is well informed on the approach to and the subsequent Arts Council's monitoring of a client's budgetary position.

Work is underway to conclude these recommendations in the next financial year.

## Sources of Independent Assurance

Grant Thornton is the Internal Auditor for the Arts Council and issued an internal audit assurance statement to the Audit and Risk Committee of the Arts Council in respect of the year ended 31 March 2018. The internal audit assurance statement stated that on the basis of work performed during the year, Grant Thornton can conclude that the Arts Council has established procedures that are adequate to meet management's control objectives in the systems audited and consequently Grant Thornton provided a satisfactory level of assurance over the control environment at the organisation.

The Comptroller and Auditor General certifies the Arts Council of Northern Ireland Lottery Distribution Account and provides an opinion whether, in all material respects, the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern the Arts Council. Please refer to the Audit Certificate for other opinions provided by the Comptroller and Auditor General.

## 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 the Arts Council who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. 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 the Arts Council. In addition, I have considered the Report To Those Charged with Governance (RTTCWG) prepared by the external auditors following their audit of the accounts for the year ended 31 March 2018. 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 Audit and Risk Committee reviews its effectiveness 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.

All policy papers put to the Board for decision 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 of the Arts Council has reviewed the quality of the information made available by the executive for the purpose of effective decision making. The Board considers that the accuracy, timing and availability of the financial information and the support given to ensure that the Audit and Risk Committee functions effectively is satisfactory. The Board values the reports on art forms, organisational performance and the Council's development programmes for their insights into the challenges and opportunities facing the arts in Northern Ireland. The Board notes the challenge with regard to information, analysis and assessment facing the executive in determining the most beneficial distribution of arts funding in the current financial environment. Looking to the future and the requirement to prepare a new five-year corporate plan, the Board recognises that the pattern and the nature and extent of information provision on the functioning of the arts in Northern Ireland will change during the planning process and to support the delivery of the future plan. The Board looks forward to participating with the executive in the definition of this new information regime.

## Internal Governance Divergences – Current and New for 2017-18

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

Seventeen prior year issues highlighted in internal audit reports have been resolved and are no longer control issues in 2017-18.

### **Identification of new issues in the current year and anticipated future issues**

Internal auditors Grant Thornton awarded the Arts Council a satisfactory level of assurance over its control environment in its assurance statement for 2017-18.

Internal Audit identified a number of areas where the Arts Council should put procedures in place to strengthen the existing processes and controls in order to fully meet management's control objectives. Internal Audit's observations and recommendations are graded in line with DAO (DoF) 07/16 which was implemented with immediate effect on sight of the guidance:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Internal Audit also assign an assurance rating to reviews. Three evaluations are used. One evaluation, Satisfactory, is considered to be "above the line" in terms of governance, risk management and control. The remaining two audit opinions are considered "below the line".

The three assurance ratings are defined, in line with DAO (DoF) 07/16, as:

Satisfactory: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives;

Limited: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved; and

Unacceptable: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Nine reviews were issued during the year with assurance ratings; one review was limited and the remaining eight reviews were satisfactory. The limited internal audit review was titled key financial controls and had six recommendations (one priority 1, one priority 2 and four priority 3). These six recommendations were

- Posting Manual journals (Priority 1);
- Policies and procedures (Priority 2)
- Payments (Priority 3)
- Bank and Cash (Priority 3)
- Debtors and Creditors (Priority 3); and
- Fixed Assets (Priority 3).

Management agreed a timescale for implementation of these recommendations and one recommendation was noted as outstanding (Fixed Assets (priority 3)) in the follow up report undertaken by Internal Audit at year end.

Overall, twenty eight new recommendations have been identified in the current year, one priority 1, nine priority 2 and eighteen priority 3. Of these recommendations fifteen have already been addressed and management have agreed a timescale for implementation of the remaining thirteen recommendations. There are no prior year issues. The one priority 1 recommendation was fully implemented by the year end and verified by internal audit during their year-end follow up review.

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.

### Events after the reporting Period

None.

### Conclusion

As a result of the above, I believe that the Arts Council'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 the Arts Council's governance structure has operated successfully in 2017-18.

*Roisín McDonough*  
Accounting Officer

27 November 2018

# Remuneration and Staff Report

## Remuneration report

### Remuneration Policy

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

Dr Katy Radford (Chair);  
Dr Leon Litvack;  
Mr John Edmund;  
Ms Katherine McCloskey and  
Mr David Alderdice

Within the Arts Council, the Chief Executive is employed at a Senior Civil Service (SCS) grade. The remuneration of senior civil servants is set by the Minister of Finance.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the Department of Finance (DoF) Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HM Treasury parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

The Remuneration Committee is responsible for assessing the Chief Executive's performance and making recommendations on achievement to Department for Communities (DfC). The Chief Executive has a staff appraisal meeting with the Chairman on the basis of objectives set the previous year in consultation with DfC. The appraisal meeting also includes discussion of objectives for the incoming year. These are further discussed by the Chairman with DfC. 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 Arts Council are employed at Grade 7. The Arts Council's Management Statement directs that approval of the Department is required to re-grade/create posts at Deputy Principal 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 Arts Council 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 Arts Council are made with reference to the Equality Commission's Advice and Guidance. Policy relating to notice periods and termination payments are contained in individual terms and conditions of employment. Unless otherwise stated below, the employees covered by this report hold appointments, which are open-ended until they reach retirement age. The Chief Executive (Roisin McDonough) was appointed on 16 October 2000. This position is permanent within the definition above as are the executive director positions.

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

Officials	2017-18					Restated*2016-17				
	Salary £'000	Bonus £'000	Benefit-in-kind £'000	Pension Benefits** £'000	Total £'000	Salary £'000	Bonus £'000	Benefit-in-kind £'000	Pension Benefits** £'000	Total £'000
R McDonough *** (Chief Executive)	70-75	-	-	32	105-110	80-85*	-	-	40	120-125
N McKinney (Director of Arts Development)	55-60	-	-	3	60-65	55-60	-	-	12	60-65
G Troughton (Director of Finance and Corporate Services)	50-55	-	-	10	60-65	50-55	-	-	16	65-70
N Livingston (Director of Strategic Development)	55-60	-	-	1	60-65	55-60	-	-	12	70-75
L McDowell**** (Director of Operations)	40-45	-	-	14	55-60	40-45	-	-	14	55-60
<b>Band of Highest Paid Director's Total FTE Remuneration</b>		80-85				80-85*				
<b>Median Total Remuneration</b>		£30,608				£29,554				
<b>Ratio</b>		2.7				2.8*				

\* Reanalysis of salary elements resulted in a drop in salary band from £85-90,000 to £80-85,000.

\*\* 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.

\*\*\* This employee took flexible retirement on 31 August 2017. The pension lump sum received from the flexible retirement is in the band range £100-105,000. The annual pension received in year is in the band range £35-40,000 (2016-17: £000). FTE salary is in the band range £80-85,000.

\*\*\*\* This employee took flexible retirement on 31 December 2015. The pension lump sum received from the flexible retirement is in the band range £55 – 60,000. The annual pension received in year is in the band range £20-25,000 (2016-17: £20-25,000). FTE salary is in the band range £55-60,000.

## Salary

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

## Benefits in Kind

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

## Board Members' Honoraria (Audited Information)

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

The rate of honorarium 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 2017-18 was therefore £13,500 (2016-17: £11,494). This includes £256 (2016-17: £314) of employer's National Insurance Contributions.

The amounts received by the Chairman and Vice-Chairman are detailed below:

	Chairman	Vice-Chairman
	£	£
J Edmund	10,000	
K Radford		3,500

Of the total cost of honoraria, £7,717 (2016-17: £6,092) was apportioned to the Lottery Distribution Account. No emoluments were paid to other Board members in respect of Lottery activities. The Arts Council does not pay any pension contributions on behalf of the Chairman and Vice-Chairman. These individuals are not included, therefore, in the following pension note.

All Board members are recompensed for their vouched expenses incurred in carrying out their duties.

## Bonuses

The Special Bonus Scheme allows the Arts Council to reward exceptional performance in particularly demanding tasks or situations at any time in the year. No staff received a performance bonus in 2017-18 (2016-17: 4).

## Fair Pay Disclosure (Audited Information)

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 banded remuneration of the highest-paid director in the organisation in the financial year 2017-18 was £80-85,000 (2016-17, £80-85,000). This was 2.7 times (2016-17, 2.8) the median remuneration of the workforce, which was £30,608 (2016-17, £29,554). In 2017-18, 0 (2016-17, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £22,739 to £84,640 (2016-2017, £22,739-£84,537).

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:

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

### Arts Council Pensions (Audited Information)

The pension benefits of all staff are provided through the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC). 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). For membership of the Scheme from April 2015 your pension will be based on your average earnings while a member of the Scheme. Each year, if you are in the main section of the Scheme 1/49th of your pensionable pay is added to your pension account PLUS a revaluation amount so that your pension keeps up with the cost of living. In addition, a tax free lump sum may be payable on retirement. Members pay contributions of between 5.5% and 10.5% of pensionable earnings. Pensions increase in payment in line with the Consumer Price 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 Arts Council made contributions for 47 (2016-17: 53) employees (not all 47 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 2018 the Arts Council contributed 18% of gross salary (2016-17: 20%) plus a one-off annual payment of £25,500 which is called a 'pension deficit recovery contribution' (2016-17: Nil).

	<b>2017-18</b>	<b>2016-17</b>
Employer's Contribution	£157,629	£142,983

### Pension Entitlements (Audited Information)

	Accrued pension at retirement age as at 31 March 2018 and related lump sum £'000	Real increase in pension at retirement age and related lump sum £'000	CETV at 31 March 2018 £'000	CETV at 31 March 2017 £'000	Real increase in CETV £'000
R McDonough*	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of (0-2.5)	13	732	29
N McKinney	20-25 plus lump sum of 40-45	0-2.5 plus lump sum of (0-2.5)	433	408	9



	Accrued pension at retirement age as at 31 March 2018 and related lump sum £'000	Real increase in pension at retirement age and related lump sum £'000	CETV at 31 March 2018 £'000	CETV at 31 March 2017 £'000	Real increase in CETV £'000
G Troughton	10-15 plus lump sum of 0-5	0-2.5 plus lump sum of (0-2.5)	161	145	8
N Livingston	25-30 plus lump sum of 50-55	0-2.5 plus lump sum of (0-2.5)	526	517	(11)
L McDowell**	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	30	16	11

\* As stated on page 27 this employee took flexible retirement on 31 August 2017. The decrease in CETV value in the year to 31 March 2018 is primarily explained by this event. The real increase in CETV includes the movement on both pension records.

\*\* As stated on page 27 this employee took flexible retirement on 31 December 2015.

### 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 2008 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 Arts Council received any compensation for loss of office during the year.

# Staff Report

## 1 Number of Directors (Audited Information)

	2017-18	2016-17
<b>Director's Salary</b>		
£45,000 - £50,000	-	-
£50,000 - £55,000	1	1
£55,000 - £60,000	3	3
£60,000 - £65,000	-	-
£65,000 - £70,000	-	-
£70,000 - £75,000	-	-
£75,000 - £80,000	-	-
£80,000 - £85,000	1	1
<b>Total Number of Directors</b>	<b>5</b>	<b>5</b>

The Directors' salaries shown above are on a full-time equivalent basis. Whereas the salary information on page 27 is what the Directors actually earned, including back dated pay awards and adjustments for any sick leave or reduction in hours during the year.

## 2 Staff Numbers and Costs (Audited Information)

### a Staff Costs

	2017-18	2017-18	2017-18	2016-17
	Permanently employed staff	Others	Total	Total
	£	£	£	£
Wages and salaries	761,495	64,391	825,886	727,351
Social security costs	78,490	6,228	84,718	74,159
Other pension costs	147,448	10,181	157,629	142,983
Agency costs	-	35,742	35,742	97,589
	<b>987,433</b>	<b>116,542</b>	<b>1,103,975</b>	<b>1,042,082</b>

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

Staff remuneration in 2017-2018, ranges from £22,739 to £84,640 on an FTE basis.

### b Chief Executive's Remuneration (Audited Information)

The remuneration received by the Chief Executive, including back dated pay awards and adjustments for reduction in hours during the year was £74,452 (2016-17 Restated: £84,079). The Chief Executive is an ordinary member of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) pension scheme. A total of £57,990 (2016-17: £58,995) 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.

*c Pension Contributions*

The NILGOSC Scheme is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2017-18 the contribution rates were 18% employers contribution (2016-17: 20%) plus a one-off annual payment of £25,500 (2016-17: Nil) and ranging between 5.5% and 10.5% employees (2016-17: ranging between 5.5% and 10.5% employees).

*d Pension Commitments*

The Arts Council makes employer contributions to the Northern Ireland Local Government Officers Superannuation Scheme (NILGOSC) which is a funded scheme of the defined benefit type.

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £157,629 (2016-17: £142,983).

Details of this pension scheme are available within the Arts Council's Exchequer accounts.

**3 Average number of persons employed: (Audited Information)**

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

<b>Arts Council of Northern Ireland</b>	Permanently Employed		<b>2017-18 Total No.</b>	2016-17 Total No.
	Staff No.	Others No.		
Directly employed	39	2	<b>41</b>	41
Other	–	2	<b>2</b>	4
Staff engaged on capital projects	–	–	–	–
<b>Total</b>	<b><u>39</u></b>	<b><u>4</u></b>	<b><u>43</u></b>	<b><u>45</u></b>

The average number of whole-time equivalent persons employed during the year working on the Lottery Distribution Account was as follows:

<b>Lottery Distribution Account</b>	Permanently Employed		<b>2017-18 Total No.</b>	2016-17 Total No.
	Staff No.	Others No.		
Directly employed	22	1	<b>23</b>	22
Other	–	1	<b>1</b>	2
<b>Total</b>	<b><u>22</u></b>	<b><u>2</u></b>	<b><u>24</u></b>	<b><u>24</u></b>

#### 4 Staff Composition

The actual composition of staff employed by the Arts Council is as follows:

	Male Directors	Male Employees	Female Directors	Female Employees
<b>2017-18</b>				
Payroll	2	13	3	29
Board	–	1	–	1
Agency	–	2	–	2
<b>Total</b>	<b>2</b>	<b>16</b>	<b>3</b>	<b>32</b>
<b>2016-17</b>				
Payroll	2	16	3	33
Board	–	2	–	1
Agency	–	2	–	5
<b>Total</b>	<b>2</b>	<b>20</b>	<b>3</b>	<b>39</b>

Staff composition shows the number of people employed by the Arts Council. Two of the Board Members are classified as 'employed' (Chairman and Vice Chairman) as they are on the Arts Council payroll to facilitate payment of their honorarium. The reason that three are disclosed in the prior year was due to the existing chairman's tenure finishing and a new chairman taking up post during the year.

#### 5 Sickness Absence Data

The number of sick days reported in 2017-18 was 474 (2016-17: 480). This equates to an average lost working days per employee of 11.95 days (2016-17: 11.90 days).

#### 6 Staff Policies applied during the financial year

##### *Employee Consultation*

On matters of policy and procedure which affect the employees of the Arts Council, the Arts Council 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.

##### *Policy on Disabled Persons*

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

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

*Equal Opportunity Policy*

The Arts Council 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 Arts Council has implemented equality legislation and codes of practice to ensure that procedures and policies are fair and lawful. The Arts Council actively encourages this within its client/partner network.

*Health and Safety*

The Arts Council is committed to providing staff and customers with a working environment that is as safe as possible and free from risk to health. In accordance with this commitment, the Arts Council complies with relevant health and safety legislation, holds regular committee meetings and delivers relevant training.

*Trade Union Relationships*

The Arts Council liaises with local trade union representatives on an ongoing basis and also regularly holds formal JNCC (Joint Negotiating and Consultative Committee) meetings. The Arts Council and the trade union (NIPSA Northern Ireland Public Service Alliance) have a Recognition and Procedural Agreement in place.

*Human Capital Management*

The Arts Council is committed to creating a diverse workforce as we recognise the value this brings to the organisation. We value and develop our staff through a broad range of training programmes.

**7 Expenditure on Consultancy**

	<b>2017-18</b>	2016-17
	£	£
Arts & Older People – Programme Evaluation	<b>7,861</b>	18,090
Resilience Programme – Programme Evaluation	<b>3,341</b>	–
Young People & Well Being – Programme Evaluation	<b>7,485</b>	7,485
<b>Total Expenditure on Consultancy</b>	<b><u>18,687</u></b>	<u>25,575</u>

**8 Off Payroll Disclosures (Audited Information)**

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on any highly paid and/or senior off-payroll engagements as at 31 March 2018, for more than £245 per day and that last longer than six months. The Arts Council has no off-payroll engagements as at 31 March 2018 or 31 March 2017.

**9 Exit Packages (Audited Information)**

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (prior year comparatives)
<b>Exit package cost band</b>			
< £10,000	-	-	- (-)
£10,000 - £25,000	-	-	- (-)
£25,000 - £50,000	-	1	1 (1)
£50,000 - £100,000	-	-	- (-)
£100,000 - £150,000	-	-	- (-)
£150,000 - £200,000	-	-	- (-)
<b>Total number of exit packages</b>	<u>-</u>	<u>1</u>	<u>1 (1)</u>
<b>Total resource cost</b>	<u>-</u>	<u>£47,724</u>	<u>£47,724</u> <u>(£28,034)</u>

Redundancy and other departure costs have been paid in accordance with the provisions of the Arts Council's Voluntary Exit Scheme. Exit costs are accounted for in full in the year of departure, including recognising liabilities as accruals at the point at which offers were accepted. Exit costs were fully processed through the Arts Council's Exchequer Account with the same amount received from government funding provided by the Department for Communities. If the exit costs had been recharged to Lottery in line with other salary costs, £26,725 would have been charged and the same amount received from government funding.

# Parliamentary Accountability and Audit Report

## Parliamentary Accountability Disclosure Notes (Audited Information)

### Losses and special payments

There were no losses or special payments during the year which required disclosure in the accounts (31 March 2017: Nil).

### Regularity of Expenditure (Audited Information)

All expenditure incurred by the Arts Council is regular; it is in accordance with the expressed wishes of the sponsoring department and has been approved by the senior management team.

*Roisín McDonough*  
Accounting Officer

27 November 2018

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

I certify that I have audited the financial statements of the Arts Council of Northern Ireland Lottery Distribution Account for the year ended 31 March 2018 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows and Changes in Taxpayers' Equity, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Arts Council of Northern Ireland Lottery Distribution Account affairs as at 31 March 2018 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

## 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 Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Arts Council of Northern Ireland Lottery Distribution Account in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Respective responsibilities of the Council and Accounting Officer for the financial statements

As explained more fully in the Statement of Arts Council's and Accounting Officer's Responsibilities, the Arts Council of Northern Ireland and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting



from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arts Council of Northern Ireland Lottery Distribution Account's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Arts Council of Northern Ireland Lottery Distribution Account's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

#### **Other Information**

The Council and the Accounting Officer are responsible for the other information. The other information comprises information included in the Report accompanying the financial statements, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in the Performance Report and Accountability Report 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; 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 HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Sir Amyas C E Morse KCB*  
Comptroller and Auditor General

5 December 2018

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

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Note	2017-18 £	2016-17 £
Proceeds from Lottery ticket sales	4	<b>9,156,467</b>	9,127,677
Lottery investment returns	4	<b>26,483</b>	29,746
Other operating income	4	<b>142,538</b>	287,095
<b>Total Operating Income</b>		<b><u>9,375,468</u></b>	<u>9,444,518</u>
New Grants made in year	11	<b>8,307,610</b>	8,901,866
Grants De-committed in year	11	<b>(37,496)</b>	(182,269)
Grant Funding Cross Border Touring	3	<b>100,000</b>	150,000
Staff Costs: recharge		<b>1,103,975</b>	1,042,082
Other Operating Expenditure: direct costs	2	<b>97,314</b>	176,599
Other Operating Expenditure: recharge	2	<b>308,837</b>	310,693
<b>Total Operating Expenditure</b>		<b><u>9,880,240</u></b>	<u>10,398,971</u>
<b>Net (Expenditure) / Income for the year</b>		<b><u>(504,772)</u></b>	<u>(954,453)</u>
<b>Comprehensive Net (Expenditure) / Income for the year ended 31 March 2018</b>		<b><u>(504,772)</u></b>	<u>(954,453)</u>

All activities are continuing with no acquisitions or disposals. There are no gains or losses other than those shown above.

*The notes on pages 44 to 54 form part of these accounts.*

## Statement of Financial Position as at 31 March 2018

	31 March 2018	31 March 2017
Note	£	£
<b>Non-current assets:</b>		
Property, plant and equipment	5	—
<b>Total non-current assets</b>	<u>—</u>	<u>—</u>
<b>Current assets:</b>		
Investments – balance held in NLDF	7	2,864,840
Trade and other receivables	9	92,194
Cash and cash equivalents	8	658,428
<b>Total current assets</b>	<u>3,615,462</u>	<u>3,916,742</u>
<b>Total assets</b>	<u>3,615,462</u>	<u>3,916,742</u>
<b>Current liabilities:</b>		
Trade and other payables	10	365,100
Grants payable	10	2,263,240
<b>Total current liabilities</b>	<u>2,628,340</u>	<u>2,421,021</u>
<b>Total assets less current liabilities</b>	<u>987,122</u>	<u>1,495,721</u>
<b>Non-current liabilities:</b>		
Grants payable	10	263,820
<b>Total non-current liabilities</b>	<u>263,820</u>	<u>267,647</u>
<b>Total assets less total liabilities</b>	<u>723,302</u>	<u>1,228,074</u>
<b>Equity:</b>		
General reserve		723,302
<b>Total Equity</b>		<u>723,302</u>
		<u>1,228,074</u>

The financial statements on pages 40 to 54 were approved by the Board on the seventh of November 2018 and were signed on its behalf by:

*Roisín McDonough*  
Accounting Officer

27 November 2018

*The notes on pages 44 to 54 form part of these accounts.*

## Statement of Cash Flows for the year ended 31 March 2018

	Notes	2017-18 £	2016-17 £
<b>Cash flows from operating activities</b>			
Net (Expenditure) / Income		(504,772)	(954,453)
(Increase) / Decrease in Trade and Other Receivables	9	(9,859)	82,375
Increase / (Decrease) in Payables < 1 year	10	207,319	(151,370)
(Decrease) in Payables > 1 year	10	(3,827)	–
Decrease in balance held at NLDF	7	387,131	1,417,423
<b>Net cash Inflow from Operating Activities</b>		<b><u>75,992</u></b>	<b><u>393,975</u></b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		75,992	393,975
<b>Cash and cash equivalents at the beginning of the period</b>	8	<u>582,436</u>	<u>188,461</u>
<b>Cash and cash equivalents at the end of the period</b>	8	<b><u>658,428</u></b>	<b><u>582,436</u></b>

*The notes on pages 44 to 54 form part of these accounts.*

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

Notes	General Reserve £	NLDF Revaluation Reserve £	Total Reserves £
<b>Balance at 31 March 2016</b>	<b>2,058,163</b>	<b>124,364</b>	<b>2,182,527</b>
<b>Changes in Equity for 2016-2017</b>			
Comprehensive Net Expenditure for the Year	(954,453)	–	(954,453)
Transfer between Reserves	124,364	(124,364)	–
<b>Balance at 31 March 2017</b>	<b><u>1,228,074</u></b>	<b><u>–</u></b>	<b><u>1,228,074</u></b>
<b>Changes in Equity for 2017-2018</b>			
Comprehensive Net Expenditure for the Year	(504,772)	–	(504,772)
<b>Balance at 31 March 2018</b>	<b><u>723,302</u></b>	<b><u>–</u></b>	<b><u>723,302</u></b>

*The notes on pages 44 to 54 form part of these accounts.*

# Notes to the Accounts

## 1 Statement of accounting policies

These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport with the consent of the Department for Communities in Northern Ireland and the approval of HM Treasury in accordance with the Section 35(2) - (3) of the National Lottery etc. Act 1993.

The financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual issued by HM Treasury. The accounting policies contained in the Government Financial Reporting Manual apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the Government Financial Reporting Manual permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Arts Council of Northern Ireland Lottery Distribution Account for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Arts Council of Northern Ireland Lottery Distribution Account for the distribution of public funding for the Arts in Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### *a Accounting convention*

These accounts have been prepared on an accruals basis under the historical cost convention.

### *b Property, Plant and Equipment and Intangible Assets*

Arts Council Exchequer is responsible for all non-current asset purchase and maintenance. Non-current asset usage on Lottery activities is recharged from the Exchequer to the Lottery account.

### *c Balances held in the National Lottery Distribution Fund*

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

The National Lottery Distribution Fund balance is classified as investments in the Statement of Financial Position. This is in line with the Department for Communities accounting policy. National Lottery Distribution Fund investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss recognised through the National Lottery Distribution Fund revaluation reserve.

### *d Grants Payable*

A grant commitment is deemed to be a liability once the Letter of Offer has been drawn up and sent to the grant client. The grants liability at 31 March 2018 is disclosed in Note 11 to the accounts and recognised as expenditure in the Statement of Comprehensive Net Expenditure.

### *e Recharge of Staff Costs and Apportionment of Other Operating Costs*

Administrative overheads and salaries are incurred by the Arts Council of Northern Ireland Exchequer. An amount is then recharged to Arts Council of Northern Ireland Lottery to cover the costs of staff working on Lottery Grants. A Service Level Agreement on Recharging of Salaries and Overheads between Exchequer and Lottery at 56% was approved by the Board on the 24 May 2017.

### *f Pension Costs*

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuation of the scheme was at 31 March 2016.

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

All assets, liabilities and operating costs of the Arts Council's pension scheme are recorded in the accounts of the Exchequer entity. The salary charges to Lottery in-year include a recharge of employer pension costs of £157,629 (2016-17: £142,983). Details of this pension scheme are available within the Arts Council Exchequer accounts.

#### *g Operating Income*

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

#### *h Financial Instruments*

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

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

#### *i Staff Costs*

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

#### *j Impending Application of Newly Issued Accounting Standards as yet not effective*

The Arts Council provides disclosure that there are no new relevant accounting standards which it has not yet applied. The application of any new or amended IFRS standards is governed by their adoption by the FReM. The Council applies changes to standards when they become effective. There are no known material impacts from IFRS changes that have been issued and are not yet effective on the financial statements in the period of initial application.

Specifically:

##### ■ IFRS 9 Financial Instruments – No known material impacts.

As explained in Note 6 the cash requirements of the Arts Council Lottery Distribution Fund are met through Lottery funding and the majority of financial instruments relate to contracts to buy non-financial items therefore the Arts Council is exposed too little credit, liquidity or market risk.

##### ■ IFRS 15 Revenue from Contracts with Customers - No known material impacts.

The Arts Council does not have any revenue generating activities.

##### ■ IFRS 16 Leases – No known material impacts.

As per Note 13 the Lottery Fund has no direct lease commitments. The Exchequer account has one lease commitment of £2,337 of which a proportion will be recharged to the Lottery fund.



*k Operating Segments*

The activities of the Arts council are considered to provide a single function; maintaining and developing the Arts in Northern Ireland. In terms of IFRS this is considered to be a single operating segment. It is therefore considered that no further analysis is required to meet the requirements of IFRS 8.

*l Reserves*

## General Reserve

This is the balance arising from monies attributed to the Arts Council of Northern Ireland as a Distributing Body for the National Lottery Distribution Fund as certified by the Secretary of State for the Department for Culture, Media and Sport and the net income as reported in the Statement of Comprehensive Net Expenditure for the year.

**2 Expenditure**

All of the staff costs were incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account on the basis of activity in terms of the proportion of grant applications and awards that relate to Lottery activity.

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report.

	Direct £	Recharge £	2017-18 Total £	2016-17 Total £
<b>Salary Costs</b>				
Wages and salaries	–	825,886	<b>825,886</b>	727,351
Social security costs	–	84,718	<b>84,718</b>	74,159
Other pension costs	–	157,629	<b>157,629</b>	142,983
Agency costs	–	35,742	<b>35,742</b>	97,589
Total Salary Costs	–	<u>1,103,975</u>	<b><u>1,103,975</u></b>	<u>1,042,082</u>
Arts Council Administration- Apportionment	–	308,837	<b>308,837</b>	310,693
NI Screen Administration	25,000	–	<b>25,000</b>	54,620
Arts and Older People Administration	20,280	–	<b>20,280</b>	32,679
Arts and Older People Consultancy	7,861	–	<b>7,861</b>	18,090
Young People & Well Being Administration	970	–	<b>970</b>	10,830
Young People & Well Being Consultancy	7,485	–	<b>7,485</b>	7,485
Resilience Consultancy	3,341	–	<b>3,341</b>	–
Audit Fees	26,000	–	<b>26,000</b>	26,000
External Monitoring	6,377	–	<b>6,377</b>	4,575
Intercultural Arts Administration	–	–	–	52
Promotions	–	–	–	22,268
<b>Total</b>	<u>97,314</u>	<u>1,412,812</u>	<b><u>1,510,126</u></b>	<u>1,529,374</u>

Of the total other operating expenditure of £406,151 (2016-17: £487,292) an amount of £308,837 (2016-17: £310,693) was incurred by the Arts Council of Northern Ireland and recharged to the Lottery Distribution Account at full economic cost. The £308,837 (2016-17: £310,693) administrative overhead apportioned to the Lottery Distribution fund comprised administrative costs and expenses incurred by the Arts Council from which the Lottery benefited indirectly. The apportionment was made at full economic cost and calculated on appropriate bases.

During the year the Arts Council did not purchase any non-audit services from its external auditor.

### 3 Grant Funding Cross Border Touring

In 1999 an agreement was reached between Arts Council England, Creative Scotland, Arts Council of Wales and Arts Council of Northern Ireland to provide funding to enable companies and individuals to undertake cross border touring within the other Arts Council's territories. During 2010-11 a new agreement was drawn up to fund these activities from Lottery instead of Exchequer monies. During 2017-18 expenditure of £100,000 was incurred in respect of this agreement (2016-17: £150,000).

### 4 Income

	2017-18	2016-17
	£	£
<b>NLDF Income:</b>		
Investment Income	<u>26,463</u>	29,746
Lottery Investment Returns	<b>26,463</b>	29,746
Proceeds from Lottery Ticket Sales	<u>9,156,467</u>	9,127,677
<b>Total NLDF Income</b>	<b>9,182,930</b>	9,157,423
<b>Other Income:</b>		
Grants Refunded	–	38,877
NI Screen Recoupment	<b>18,349</b>	65,682
Public Health Authority-Arts and Older People	<b>70,848</b>	75,536
Public Health Authority-Young People and wellbeing	<b>100,000</b>	107,000
Belfast City Council – Resilience	<u>3,341</u>	–
<b>Total Other Income:</b>	<b>192,538</b>	287,095
<b>Total Income</b>	<b>9,375,468</b>	9,444,518

### 5 Property, plant and equipment

Property, plant and equipment held by Lottery at 31 March 2011 had no carrying amount and during 2011-12 these assets were transferred to the Arts Council Exchequer accounts at nil value. Arts Council Exchequer is now responsible for all non-current asset purchase and maintenance. Non-current asset usage on Lottery activities is recharged from the Exchequer to the Lottery account.

### 6 Financial Instruments

IAS 39 requires disclosure of the role which financial instruments have had during the year in creating or changing the risks the Fund faces in undertaking its role. As the cash requirements of the Arts Council of Northern Ireland Lottery Distribution Fund are met through Lottery Funding, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Arts Council of Northern Ireland's expected purchase and usage requirements and the Arts Council of Northern Ireland is therefore exposed to little credit, liquidity or market risk.

#### *Liquidity Risks*

In 2017-18, £9.2 million or 97.66% (2016-17: £9.1 million or 96.66%) of the Arts Council's Lottery Fund's income derived from the National Lottery. The remaining income derived from investment returns from the balance held with the National Lottery Distributions Fund, £26,000 or 0.28% (2016-17: £30,000 or 0.3%), and from Sundry Income, £193,000 or 2.06% (2016-17: £287,000 or 3.04%). The Arts Council considers that the Fund is not exposed to significant liquidity risks; it is satisfied that it has sufficient liquid resources within the NLDF and cash balances of £3.5million as well as forecasted NLDF income to cover all current contracted commitments plus trade and other payables of £2.9 million. The forecasted NLDF income is based on projections received from DCMS.

*Interest Rate Risks*

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. The Arts Council has no control over the investment of Funds in the National Lottery Distribution Fund. At the Statement of Financial Position date the Market Value of investment in the National Lottery Distribution Fund was £2.9m. In the year the rate of return declared by NLDF was 0.35% (2016-17: 0.34%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 0% (2016-17: 0%) in the year. The Arts Council Lottery fund bank account has an applicable credit interest rate of base less 1%. In March 2009 the Bank of England base rate dropped to 0.5%, hence no interest has been credited to the account from this date. The cash balance at the year-end was £658,428 (31 March 2017: £582,436). The Arts Council considers that the Fund is not exposed to significant interest rate risks.

*Foreign Currency Risk*

The Fund is not exposed to any foreign exchange risks.

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

The funds held in the NLDF are invested on its behalf by the Commissioners for the Reduction of the National Debt. Up to 1996-97 the Arts received 20% of the monies paid into the Fund by Camelot, the Lottery operator, after deduction of expenses incurred by DCMS in administering the Fund, and by the regulator, the Office of the National Lottery. This percentage was reduced to 16.67% by the National Lottery Act 1998 and then returned to 20% by the National Lottery Act 2006. The Arts Council of Northern Ireland receives 2.8% of the sum allocated to the Arts. Interest earned on the sums invested is apportioned to each of the Lottery distributors on the basis of their percentage of the total remaining NLDF funds at the time the interest is received.

The closing market value of investments held at 31 March 2018 by NLDF under the National Lottery Act as amended on behalf of the Arts Council of Northern Ireland Lottery Distribution Account was £2,864,840 (31 March 2017: £3,251,971).

The NLDF balance is classified as investments in the Statement of Financial Position. This is in line with the DCMS accounting policy. NLDF investments are therefore held at the lower of carrying amount and fair value less costs to sell, with any unrealised profit or loss to be recognised through reserves.

	<b>31 March 2018</b>	31 March 2017
	£	£
<b>Balances in NLDF</b>		
Proceeds from Lottery	<b>9,156,467</b>	9,127,677
Investment Income	<b>26,463</b>	29,746
Drawn down in year by Arts Council	<b>(9,570,061)</b>	(10,574,846)
<b>Total decrease in Funds</b>	<b>(387,131)</b>	(1,417,423)
Balance as at 1 April	<b>3,251,971</b>	4,669,394
<b>Balance as at 31 March</b>	<b><u>2,864,840</u></b>	<u>3,251,971</u>

**8 Cash and cash equivalents**

	<b>31 March 2018</b>	31 March 2017
	£	£
Balance at 1 April	<b>582,436</b>	188,461
Net change in cash and cash equivalent balances	<b>75,992</b>	393,975
<b>Balance at 31 March</b>	<b><u>658,428</u></b>	<u>582,436</u>

**The following balances at 31 March were held at:**

Commercial banks and cash in hand	<b>658,428</b>	582,436
<b>Balance at 31 March</b>	<b><u>658,428</u></b>	<u>582,436</u>

**9 Trade receivables, financial and other current assets**

	<b>31 March 2018</b>	31 March 2017
	£	£
<b>Amounts falling due within one year</b>		
Trade Receivables	–	4,500
Prepayments & Accrued Income	<b>92,194</b>	77,835
	<b><u>92,194</u></b>	<u>82,335</u>

**Amounts falling due after more than one year**

Trade Receivables	–	–
Prepayments & Accrued Income	–	–
	<u>–</u>	<u>–</u>

Trade receivables includes £Nil (31 March 2017: £4,500) in respect of amounts due to the Lottery Distribution Account from the Arts Council of Northern Ireland.

**10 Trade payables and other current liabilities**

	<b>31 March 2018</b>	31 March 2017
	£	£
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<b>365,100</b>	157,178
Grants payable (Note 11)	<b>2,263,240</b>	2,263,843
	<b><u>2,628,340</u></b>	<u>2,421,021</u>

**Amounts falling due after more than one year**

Grants payable (Note 11)	<b><u>263,820</u></b>	<u>267,647</u>
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Other Current Liabilities includes £106,783 (31 March 2017: £117,750) in respect of services and purchases rendered to or made on behalf of the Lottery Distribution Account by the Arts Council of Northern Ireland.

**11 Grants Payable**

	<b>31 March 2018</b>	31 March 2017
	<b>£</b>	£
Grants payable at 1 April	<b>2,531,491</b>	2,728,643
Grants paid during the year	<b>(8,274,545)</b>	(8,916,749)
Grant de-commitments	<b>(37,496)</b>	(182,269)
Grants made in the year	<b>8,307,610</b>	8,901,866
Grants payable at 31 March	<b><u>2,527,060</u></b>	<u>2,531,491</u>

**Profile of Commitments over the next five years**

Amounts falling due during 2017-18	–	2,263,844
Amounts falling due during 2018-19	<b>2,263,240</b>	267,647
Amounts falling due during 2019-20	<b>263,820</b>	–
Amounts falling due during 2020-21	–	–
Amounts falling due during 2021-22	–	–
	<b><u>2,527,060</u></b>	<u>2,531,491</u>

Current contracted commitments total £2.5m. The Arts Council considers that it has sufficient liquid resources within the NLDF and cash balances of £3.5m as well as forecasted NLDF income to cover all current contracted commitments. The forecasted NLDF income is based on projections received from DCMS.

**12 Grant commitments at year end which do not meet the criteria for being treated as a liability at 31 March 2018**

In 2017-18 the Arts Council approved 95 (2016-17: 104) awards under the Annual Funding Programme (AFP) totalling £4,535,796 (2016-17: £4,693,715). These awards have not been included in the calculation of grants payable in the Statement of Financial Position. As the awards relate to the 2018-19 funding year the Letters of Offer were issued on the 1 April 2018. As a result the AFP decisions do not qualify as commitments and therefore do not meet the criteria for being treated as a liability until 1 April 2018.

**13 Leases**

While the Lottery Fund has no direct lease commitments, the Exchequer account has £2,337 (16-17: £2,921) lease commitments, of which a proportion will be recharged to the Lottery Fund as they are incurred. The Arts Council's rental licence for the Sidings terminated on 12th February 2017. The Arts Council is currently in temporary accommodation at the Sidings, Lisburn under licence until 31 March 2019 and is subject to a three-month notice period.

**14 Capital commitments**

There were no capital commitments as at 31 March 2018 (31 March 2017: Nil).

**15 Other financial commitments**

There were no other financial commitments as at 31 March 2018 (31 March 2017: Nil).

**16 Contingent asset and liabilities disclosed under IAS 37****Contingent Asset**

The National Lottery Distributors (including the Arts Council of Northern Ireland) are entitled to receive a share of receipts from the sale of land on Queen Elizabeth Olympic Park in return for their contribution of an additional £675m to the funding of the London 2012 Olympic and Paralympic Games. This was announced in 2007. The

arrangements are set out in a legal agreement between the Secretary of State and the Greater London Authority dated 29 March 2012 which sets out the distribution of funds between the GLA and the lottery distributors (via DCMS). Land sales are likely to take place over a lengthy period, estimated to be from 2018-19 to 2036-37. DCMS estimates the first payments to the Lottery Distributors to come through around 2020-21.

## 17 Related Party Transactions

The Arts Council of Northern Ireland is a Non Departmental Public Body sponsored by the Department for Communities (DfC). DfC is regarded as a related party and during the year the Arts Council had various material transactions with DfC. The Lottery Account operations of the Arts Council of Northern Ireland are funded from the National Lottery Distribution Fund through the Department for Digital, Culture, Media and Sport (DCMS). DCMS is regarded as a related party. During the year the Arts Council has had various material transactions with DCMS.

The Arts Council of Northern Ireland Exchequer Account is also regarded as a related party to The Arts Council's National Lottery Distribution Account. At 31 March 2018 a net amount of £106,783 (2016-17: £113,250) was owed to the Exchequer Account in respect of salary and other administrative costs incurred.

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

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

Name	Nature of relationship	Organisation Name	Awarded in 2017-18 £	Paid in 2017-18 £*	Balance Outstanding as at
					31 March 2018 £**
<b>Board Members:</b>					
David Alderdice	Chair of Eastside Arts	Eastside Arts	41,234	39,547	6,517
John Edmund	Chair of Grand Opera House	Grand Opera House	220,000	220,000	11,000
	Private Consultancy Work	The Playhouse	83,012	83,012	8,951
		The Nerve Centre	17,000	17,000	850
		Derry Theatre Trust	40,260	40,260	2,013
	Worked with Obon Festival in relation to DCSDC project	Obon on the Foyle Festival	31,040	17,020	15,520
Roisin Erskine	Co-Chair of Beyond Skin	Beyond Skin	25,000	26,899	1,250
	One paid weekend per year as site manager with Belfast Circus School for the Festival of Fools	Belfast Community Circus School	54,660	55,881	2,733
		Festival of Fools	47,245	35,434	35,434
Siun Hanrahan	Board Member of Belfast Exposed	Belfast Exposed	36,630	36,631	1,831
	Board Member of The Void	The Void	78,400	74,200	7,700

Name	Nature of relationship	Organisation Name	Awarded in	Paid in	Balance	
			2017-18 £	2017-18 £*	Outstanding as at 31 March 2018 £**	
Jarlath Kearney (until 6/10/17)	Family Member on Board of Feile an Phobail	Feile an Phobail	42,778	42,779	2,139	
Leon Litvack	Professor at Queen's University	Queen's Film Theatre	8,450	4,225	4,225	
Noelle McAlinden	Board of Centre for Contemporary Art	Centre for Contemporary Art	32,736	32,736	1,637	
	Member of Royal Ulster Academy Council	Royal Ulster Academy	15,000	14,250	750	
Paul Mullan	Spouse is Chair of All Set Cross Cultural Project	All Set Cross Cultural Project	12,499	12,499	392	
Eibhlin Ni Dhochartaigh (until 4/12/16)	Employee of An Gaelaras	An Gaelaras Ltd	85,892	76,696	13,198	
Katy Radford	Family / Close Connection with Ulster Orchestra Society	Ulster Orchestra Society	370,636	370,636	18,532	
	Family / Close Connection with David Lyttle	David Lyttle	-	1,500	-	
	Family / Close Connection with Anne Devlin	Anne Devlin	-	1,500	-	
	Family / Close Connection with John Baucher	John Baucher	2,996	2,696	300	
	Employer has MOU with ArtsEkta	ArtsEkta	40,594	31,297	10,397	
	Employer has working relationship with the British Council and a registry of artists which includes:					
		Kabosh	Kabosh	24,150	24,150	900
	Rita Duffy	Rita Duffy	-	300	-	
	The John Hewitt Society	The John Hewitt Society	5,946	5,946	297	
	Royal Ulster Academy	Royal Ulster Academy	15,000	14,250	750	
	Employer sometimes uses 174 Trust for Event Hire	174 Trust	57,800	57,410	2,890	
Conor Shields (until 30/04/17)	Employee of Community Arts Partnership	Community Arts Partnership	87,290	90,559	11,093	
Cian Smyth	Cathedral Quarter Trust	Cathedral Quarter Trust	23,964	23,840	1,198	
	Freelancer for Belfast International Arts Festival	Belfast International Arts Festival	126,000	126,000	6,300	
	Chairman of Outburst	Outburst Arts Festival	43,800	43,800	20,000	

Name	Nature of relationship	Organisation Name	Awarded in 2017-18 £	Paid in 2017-18 £*	Balance
					Outstanding as at 31 March 2018 £**
Nisha Tandon (until 30/04/17)	Director of ArtsEkta	ArtsEkta	40,594	31,297	10,397
	Family Member is a Freelance Events and Marketing Manager for ArtsEkta				
<b>Staff Members:</b>					
Jane Cassidy (until Oct 2016)	Works Part-Time for Camerata Ireland	Camerata	39,426	39,425	1,972
	Spouse works on a Freelance Basis for BelfastTrad	BelfastTrad	11,000	11,000	550
Vincent Crossey	Treasurer of Wheelworks	Wheelworks	15,500	20,302	775
Lizzie Devlin	Friends work for Community Arts Partnership	Community Arts Partnership	87,290	90,559	11,093
	Friend is Kabosh Board Member	Kabosh Ltd	24,150	24,150	900
	Friends work for Spectrum Centre	Greater Shankill Partnership Property Dev Co	52,190	77,772	2,610
Matthew Hendry	Spouse is Board Member of Seacourt Print Workshop	Seacourt Print Workshop	–	818	–
Nick Livingston	Daughter employed by Arts & Business NI	Arts & Business NI	208,752	208,828	15,576
Suzanne Lyle	Friend works for company which is Golden Thread Landlord	Golden Thread Gallery	80,954	79,726	4,662
Roisin McDonough	Uk Trustee of Creative and Cultural Skills & Chair of NI Group	Creative & Cultural Skills	–	123,081	71,948
Noirin McKinney	Spouse is Editor of Irish Pages	Irish Pages Ltd	15,000	15,000	750
	Friends with Directors of Panarts	Panarts	10,556	10,556	528
Matthew Malcolm	Partner employed by North Down Borough Council	Arts and North Down Borough Council	20,000	-	20,000
Gavin O'Connor	Tutor for BelfastTrad Music Society	BelfastTrad	11,000	11,000	550
Ciaran Scullion	Spouse is the Membership and Development Officer for Ulster Youth Choir	Ulster Youth Choir	29,800	30,678	1,490
Anne Shipton	Family Member is a Member of Armagh Rhymers	Armagh Rhymers Society	21,000	21,000	14,700
Fionnuala Walsh	Partner Chairman of PLACE	PLACE	30,869	30,869	1,543



Name	Nature of relationship	Organisation Name	Awarded in	Paid in	Balance
			2017-18 £	2017-18 £*	Outstanding as at 31 March 2018 £**
	Board Member of Digital Arts Studio	Digital Arts Studio	14,154	14,154	708
Debbie Young (until 30/09/17)	Community Artist with Community Arts Partnership	Community Arts Partnership	87,290	90,559	11,093
	Artist in Residence at Arts for All	Arts for All	18,000	18,000	900
	Arts and Crafts facilitator at Duncairn Centre	174 Trust	57,800	57,410	2,890

\*Paid in 2017-18 includes payments relating to awards made in previous years.

\*\*Balance outstanding as at 31 March 2018 includes all awards made in 2017-18 and previous years where an outstanding balance remains.

### 18 Third-party assets

There are no third-party assets as at 31 March 2018 (31 March 2017: Nil).

### 19 Events after the reporting period

Events after the balance sheet date are those material events, both favourable and adverse, that occur between the end of the reporting period and the date when the accounts are authorised for issue. There have been no such events.

### Date of authorisation for issue

The Annual Report and Accounts were authorised for issue on the date of certification by the Comptroller and Auditor General.

## Appendix A

# Revised Lottery Policy Directions to Arts Council of Northern Ireland

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

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

- a for a clear business plan showing how any running and maintenance costs will be met for a reasonable period; and
  - b to ensure that appraisal and management for major projects match the Office of Government Commerce's Gateway Review standards.
- P The need to ensure that its powers to solicit applications under section 25 (2A) are used in connection with the pursuit of strategic objectives.

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

*Paul Sweeney*

16 April 2008

# Appendix B

## National Lottery Development Fund (NLDF) Balance – Policy Statement

### 1 Background

The National Lottery provides funding for good causes to the National Lottery Distribution Fund (NLDF). After allowing for expenses, funds received by the NLDF from National Lottery are disbursed to distributors in Arts, Sports, Heritage and Big Lottery Fund for onward transmission to spending organisations and individuals.

The Lottery Shares Order Act, which was enacted in November 2010, determines the percentage of funds allocated to NLDF for each of the 4 categories above. For the financial years 2012/2013 to 2016/2017 the share of NLDF funds allocated to Arts, Sports, and Heritage is 20% each with the Big Lottery Fund receiving 40%.

Cash Balances held by NLDF are invested on behalf of it by the Commissioners for the Reduction of the National Debt (CRND) and investment income earned by NLDF is apportioned between its distributors on the basis of the funds held by NLDF on behalf of individual distributors at the date of receipt of investment income.

Arts Council of Northern Ireland (ACNI) is the distributor for the Arts in Northern Ireland and is one of the Arts organisations funded by NLDF alongside: Arts Council England; Arts Council of Wales; Creative Scotland and the British Film Institute. ACNI is allocated 0.56% of NLDF's net income per annum until 2022/2023.

Each distributor draws down funds from NLDF against its allocation and after deduction of administration costs, distributes such funds as grants. All distributors operate at arm's length from Government and make their grant decisions independently of Government, in response to applications for funding which they receive directly.

### 2 ACNI NLDF Policy

#### 2.1 Introduction

The Arts Council's policy in relation to NLDF is based on the guidance of the National Lottery Guidance Note 1/03: Management of National Lottery Distribution Fund balances.

The Arts Council adopts a consistent approach to commitment with well managed risk taking which avoids excessive caution but which has due regard to the income flows of and the need to safeguard whatever commitments are made by potential recipients. The Arts Council carries out regular reviews of project plans to identify changes in circumstances (e.g. delays in capital projects) which would enable increases in funding elsewhere.

#### 2.2 NLDF balances

The Arts Council's NLDF Balance comprises the following:

- 1 Balances held by NLDF not yet drawn down; and adjusted by
- 2 Balances drawn down by the Arts Council from NLDF but not yet distributed (this includes amounts forwarded by the Arts Council to NI Screen and not distributed).

The Arts Council's policy is to maintain its NLDF balance at a prudent level based on a realistic assessment of its needs and the availability of funding from NLDF. The Arts Council's NLDF balance will be set at a level that will maximise its ability to achieve its strategic objectives, that will ensure that present commitments are not compromised and that will not impair or constrain its ability to enter into future commitments.

The following statement will be included in the annual report and accounts:-

'Although income is not entirely within its control, the Arts Council has arrived at the proposed target level of balance which has been expressed as a range, by making realistic assessments of forecasts for levels of income in future years (based on NLDF forecasts), and The Arts Council's assessment of:

- Both the 'upside' and 'downside' risks to those forecasts;
- Its forecasts for expenditure in future years on the basis of commitments made and planned activity;
- Its analysis of any future needs, opportunities, contingencies or risks which are not likely to be able to be met out of income if and when they arise; and
- The likelihood, on the best evidence available, of each of those needs arising and the potential consequences for the Arts Council of not being able to meet them.

Having carefully considered the above, the Arts Council has agreed that NLDF targets are:

CY	2018-19	£1.085M
CY+1	2019-20	£1.597M
CY+2	2020-21	£2.710M

### 3 Management of NLDF balances –

The Arts Council manages its NLDF balance by using a range of management tools including:

#### 3.1 Management Accounts

The Arts Council manages its NLDF policy target by introducing Lottery Fund Management Accounts to monitor activity and to enable programme expenditure to be increased or decreased as required in line with NLDF balance targets.

Management Accounts compares actual outturns with budget, including actual and budget NLDF balances. Variances against budget are identified and explained.

#### 3.2 Good practice

The Arts Council is committed to best practice and continuous improvement in its management of NDLF funds, subject to compliance with Financial Directions. The Arts Council has adopted and will continue to pursue good practice policies in relation to managing NLDF funds including:

- Committing Lottery Funds further in advance and improving cash management systems;
- Reducing the time between an in-principle commitment and initial drawdown of funds; and
- Reducing the time between award of grant and first drawdown.

#### 3.3 KPIs

The Arts Council uses KPIs appropriate to the policies and targets adopted. These include:-

##### The 'Quicker Turnaround KPI'

100% of decisions to be made within published deadline. This is calculated using reporting from the GIFTs system.

##### The 'Quicker Close Out KPI'

90% of grants to be closed out within two months of the project end. This is calculated using reporting from the GIFTs system.

#### 3.4 Costs of administering NLDF funding

The Arts Council seeks to recover its reasonable costs for administering NLDF funds. The level of such costs is kept under review and is subject to Board agreement.

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