

9 Accounting for National Gallery of Ireland Expenditure

- 9.1** Dáil Éireann grants (votes) money to each supply service annually on foot of proposals resulting from the estimates process. The annual Appropriation Act gives statutory effect to the estimates for each supply service voted by the Dáil for that year. The Act specifies the net amount of authorised expenditure on each service together with the amount of departmental receipts that may be applied as appropriations-in-aid of each vote.
- 9.2** The annual appropriation by the Dáil of money to the expenditure limit set and the accounting for that money to the Dáil is a key element of the public financial process. As a general principle, government accounting is on a gross basis with all expenditure and all receipts shown separately. Receipts cannot be netted against expenditure, and surplus receipts cannot be used without Dáil approval to meet excess expenditure.¹
- 9.3** As Accounting Officer, the Director of the National Gallery of Ireland is responsible for preparing its appropriation account under the Exchequer and Audit Departments Act 1866, and for the administration of the Gallery. Under its establishing legislation, the Gallery also has a board of governors and guardians with responsibility for overseeing its activities. This includes oversight of the management of the Gallery's funds. The Director also reports to the Board.
- 9.4** The Gallery was granted the net amount of €7,677,000 for the salaries and expenses of the Gallery including grants-in-aid for 2013, and a sum of €253,000 to be applied as appropriations-in-aid, almost all of which (€252,000) relates to pension related deductions from staff salaries.
- 9.5** The Gallery has access to other sources of (non-voted) funding from activities such as retail shops and restaurant, donations and benefactions, fundraising, exhibitions and sponsorship. Over the last three years, this funding amounted to an average of 17% of the annual net exchequer grant and is not accounted for in the Gallery's appropriation account.
- 9.6** Other national cultural institutions such as the National Museum and National Library are funded by way of annual grant from the Department of Arts, Heritage and the Gaeltacht. In those cases, own resources from sales, corporate events, sponsorships, etc. amount to under 5% of the respective Exchequer grants.
- 9.7** In addition to the cash-based annual appropriation account, the Gallery prepares accrual financial statements that are designed to give a comprehensive account of all of its income and expenditure and its state of affairs.² The latest accrual financial statements for the financial year 2011 were certified on 12 September 2014. The delay in certification arose from implementation of substantial changes in the format of the account for 2011 to align with accounting practice for similar organisations.

¹ The Department of Public Expenditure and Reform's *Public Finance Procedures* (section C2) outlines the procedure to be followed where Vote holders exceed the expenditure level set for a year, and an 'excess vote' results.

² The annual financial statements are prepared under Section 35 of the National Cultural Institutions Act 1997.

- 9.8** In recent years, the Gallery has used own resource funding, with the approval of the Board, for the purposes of charging some operating costs that would normally be funded from the appropriation account. The Board's view is that it is the responsibility of Government to provide adequate funds to maintain the Gallery's public services, which includes operating costs. However, it has only reluctantly agreed to utilise its own funds in order to make up the current shortfall in operating costs.
- 9.9** When audit testing was conducted in relation to the 2012 appropriation account, it was noted that some operating expenditure was charged to own resources where expenditure on the same activities in the previous year was charged to the Vote. When this was queried with the Gallery, it explained that because its Exchequer grant had been cut by 40% since 2008, it was necessary to fund some operating costs (€156,500 in 2012) from Gallery reserves, by the authority of the Board. It stated that the policy applied was to charge all operating costs to the Vote subject to available Exchequer funding.
- 9.10** In the context of audit of the appropriation account for 2013, the Gallery provided details of expenditure of €298,000 charged to own resources for some operating costs that would normally be charged to the Vote (see Figure 9.1).

Figure 9.1 Expenditure financed from Gallery own resources, 2013

	Charged to own resources	Total for similar activities charged to Exchequer
	€000	€000
Salaries	143	4,836
Security and incidental expenses (including lecture tours and transport of pictures)	71	597
Board fees and expenses	26	–
Office equipment and external IT services	15	230
Premises expenses	38	803
Conservation	5	39
Total	298	6,505

Source: National Gallery of Ireland

Views of the Accounting Officer

- 9.11** The Accounting Officer explained that under its establishing legislation, the Board has sole responsibility and authority to manage its own resources as it sees fit, in the best interests of the Gallery. He stated that the Gallery was fortunate to have at its disposal an alternative source of funds which, in the absence of adequate funds from the Exchequer in its annual Vote, may be utilised to maintain its service standards and to further the interests and objectives of the Gallery. He also stated that this expenditure is, by its nature, discretionary and that core costs, such as permanent staff, utilities, and security costs, are funded by the Exchequer. The Gallery's financial statements, which are audited by the Comptroller and Auditor General, cover all activities in addition to the annual appropriation account and these financial statements reflect costs from all sources.

Conclusions

- 9.12** The situation whereby the Gallery has access to and applies its own resources outside of the annual estimates process bypasses the spending limit control objective of the annual estimates process and the gross accounting principle required under public financial procedures. In addition, the Gallery is obliged to produce two sets of financial statements, on two different accounting bases.

Recommendation 9.1

The Department of Arts, Heritage and the Gaeltacht, in consultation with the Department of Public Expenditure and Reform, should consider including all resources of the Gallery within the appropriations process. Restricted funds from non-Exchequer resources (such as fundraising) can be accounted for within existing appropriation accounting rules. Alternatively, consideration should be given to treating the Gallery, like other national cultural institutions, as a grant subhead within the estimate for the Department of Arts, Heritage and the Gaeltacht, with appropriate and timely financial reporting on a comprehensive basis.

Director's response

Not agreed. Including all Gallery reserves within the estimate/appropriation process would be seriously detrimental for the Gallery. It would mean that all unspent unrestricted revenues obtained by the Gallery, which would include donations, benefactions and bequests, would be required to be surrendered to the Exchequer, annually. This would instantly and severely undermine the Gallery's ability to raise funds and the confidence and willingness of donors/patrons to give funds for the benefit of the Gallery and Irish society. Making such a change when the Gallery, with the support of Government, has committed to expending substantial resources in expanding its fundraising activities, would severely compromise the Gallery's fundraising effort.

The alternative recommendation to convert the Gallery Vote into a grant from the Department of Arts, Heritage and the Gaeltacht is an idea that was rejected by the Board when it was mooted several years ago, principally because it compromises the Gallery's perceived independence from central government, thereby making fundraising much more difficult. The current Board has not had an opportunity to consider the potentially substantial consequences of this recommendation and would require more time to be able to provide a comprehensive response.

Response of Secretary General of Department of Arts, Heritage and the Gaeltacht

Agreed. In the interest of transparency, Exchequer funding should in future be provided through a subhead of the Vote for Arts, Heritage and the Gaeltacht. The National Gallery Vote will cease to operate on 31 December 2014 and an agency statement setting out expected receipts and payments for the coming year will be provided in the Revised Estimate for 2015 prepared by the Department of Public Expenditure and Reform.

