

Olympic Lottery Distribution Fund Account 2012-13

Annual Report and Accounts for the year ended 31 March 2013

Presented to Parliament pursuant to section 33(3) of the National Lottery etc. Act 1993, as amended by the National Lottery Act 1998, and applied by section 34(11) of the Horserace Betting and Olympic Lottery Act 2004

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Management Commentary

Why the Olympic Lottery Distribution Fund (OLDF) was needed

London was chosen as the host city for the 2012 Olympic and Paralympic Games on 6 July 2005. Funding for the London 2012 Olympics came from a variety of sources, including the National Lottery. Under the funding arrangements announced on 15 March 2007, up to £2.175 billion was to be contributed by the National Lottery. £750 million of this was to be raised from designated Olympic Lottery games.

The London 2012 Olympic Games and Paralympic Games were a great triumph for London and the whole country. The Government's preparations were led by the Department for Culture, Media and Sport. The Olympic Delivery Authority delivered the construction programmes on time and on budget and the London Organising Committee of the Olympic and Paralympic Games (LOCOG) ensured that the events themselves were well organised. The Olympic Lottery Distributor (OLD), through the Olympic Lottery Distribution Fund made a significant contribution to the funding of the Games, contributing around £1.8 billion.

The OLDF was established to receive and hold the monies generated from the Lottery specifically for the 2012 Olympics until distributed by OLD to fund any facilities, services or functions which the distributor considered were necessary or expedient to provide or undertake for the delivery of the 2012 Games. The balance held in the OLDF is invested by the Commissioners for the Reduction of the National Debt (CRND) and any investment proceeds added to the amount available to the Olympic Lottery Distributor.

The fund came into legal existence on 8 April 2005 under the terms of the Horserace Betting and Olympic Lottery Act 2004 (Commencement No.2) Order 2005 (SI 2005/1134). The Fund was dormant until the announcement of the success of London as the host city for the 2012 games. The first receipt of monies into the OLDF was on 2 August 2005. The fund is expected to close in 2014, following the dissolution of the Olympic Delivery Authority (ODA), subject to an Order made by the Secretary of State under section 28 of the Horserace Betting and Olympic Lottery Act 2004 and to an affirmative resolution in both Houses of Parliament. The remaining funds will be transferred to the National Lottery Distribution Fund (NLDF).

Where the money comes from

The Horserace Betting and Olympic Lottery Act 2004 enabled the establishment of National Lottery games dedicated to raising funds for the 2012 London Olympic and Paralympic Games. Camelot Group plc has held licences to operate the National Lottery since 1994. In 2007 Camelot successfully bid for the 3rd Lottery Licence that runs for ten years from 1 February 2009, with an extension for a further four years granted in March 2012. Camelot has therefore been the operator throughout the existence of the OLDF.

The principal categories of income into the OLDF for the period to 31 March 2013 comprised:

- a proportion of Olympic Lottery ticket sales, as determined by the licence granted to Camelot Group plc;
- any prizes which are not claimed within 180 days of the draw date for the Olympic Lottery Game, or 180 days of the close of the Olympic Scratchcard or Interactive Instant Win games. These unclaimed prizes fall due to the OLDF after the 180 days;
- interest on the Players Trust Fund, including the reclaim of tax deducted on interest received by the Players Trust Fund;
- a transfer of £136 million from the National Lottery Distribution Fund; and

- income from Olympic Lottery ancillary activities e.g. income from commercial transactions which utilise the existence of the Olympic Lottery for profit. In this way the OLDF shares in the benefits of any commercial activities which are derived from their connection with the Olympic Lottery.

Where the money goes

Monies drawn down from the fund by the former OLD were used to make grants or loans under section 30 of the 2004 Act. The distributor's main grant recipient was the Olympic Delivery Authority (ODA), the body responsible for delivering the venues and supporting infrastructure for the 2012 Games and for the retrofit and sale of the Athletes' Village for residential use after the Games.

Following discussions with CRND it was agreed that the OLDF funds should be invested from the outset in the Debt Management Office Call Notice Deposit Account, in order to preserve capital and retain full liquidity, given uncertainties over size and timing of drawdowns.

Funding Package

On 15 March 2007, the Secretary of State announced to the House of Commons that the Government had agreed an Olympic funding package of £9.325 billion (including a £2.747 billion total contingency).

This funding package provided up to £2.175 billion from the lottery towards the public funding package for staging the 2012 Games:

- £750m was to be raised by the Olympic Lottery games set up specifically for this purpose, which is accounted for in the OLDF.
- *The Payments into the Olympic Lottery Distribution Fund etc. Order 2008* permitted the Secretary of State to transfer up to £1,085m from the National Lottery Distribution Fund (NLDF) to the OLDF in quarterly instalments between 2009 and 2012. This comprises £410m as originally envisaged in the Olympic bid and announced in 2003, and a further £675m arising from the budget review. The Order was approved by the House of Commons on 15 January 2008 and by the House of Lords on 30 January 2008. It was made by the Parliamentary Under Secretary of State, Gerry Sutcliffe MP, on 2 February 2008 and came into force on 3 February. The first transfer of funds took place on 2 February 2009 and thereafter each quarter up to and including quarter 2 of 2012-13.
- The balance of £340m lottery contribution was to come directly from the existing sport distributors funded by the NLDF and would not pass through the OLDF. £289.5m represented funding used by the sports distributors in securing benefit to elite and community sport of holding the Olympics and Paralympics in the UK, and the remaining £50.5m was a contribution to the construction of the aquatics centre and the velodrome, both new facilities intended to provide lasting benefit after the Games.

As part of the Government's commitment to reducing the level of government expenditure, the Olympic Delivery Authority was asked to find savings of £27m in 2010-11. The public sector funding package for the London 2012 Olympic and Paralympic Games was reduced by £27m and in 2012-13 remains at £9.298bn.

The £750 million income target from the Olympic Lottery games was reached at the beginning of May 2012. Following the closure of OLDF in 2014, funds raised from the Olympic Lottery games over and above the £750 million will be transferred to the National Lottery Distribution Fund for the benefit of the National Lottery good causes. The transfer will require a statutory order.

Financial Commentary

This is the eighth set of accounts of the OLDF. These accounts are for the year ending 31 March 2013. The primary financial statements and associated notes for the OLDF are set out in these accounts. £38m was raised by the Olympic Lottery during the year. There was £136m transferred during the year from the NLDF to the OLDF. The Olympic Lottery Distributor drew down £408m. Expenses incurred in operating the fund are, under regulations made by the Secretary of State using powers created by section 26 of the Act, to be met from the fund. These expenses cover the costs of the Department for Culture, Media and Sport (DCMS) and CRND, as well as the costs of the National Lottery Commission (NLC) for regulating the National Lottery. The balance on the fund at 31 March 2013 is held by the CRND.

Governance of the Fund

The Statement of Financial Requirements, issued by the then Secretary of State for Culture, Media and Sport to the OLD established a financial framework within which their lottery distribution activities are to be conducted. The Accounting Officer of the OLDF sought annual assurances from the OLD's Accounting Officer that adequate financial management systems and controls for the efficient, effective and equitable distribution of Lottery monies are in place. In particular, that the Accounting Officer of OLD was satisfied that the body has: complied with its current Lottery financial directions; put adequate internal and external audit arrangements in place; established adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud and for minimising losses of Lottery grant, and maintains risk assessment and control procedures and risk registers.

For 2012-13 the fund was maintained under the control and management of the Secretary of State for Culture, Media and Sport. Monies not immediately required for distribution are invested by CRND, in accordance with Investment Directions issued by HM Treasury (under section 32 of the National Lottery etc. Act 1993).

Sound management of the OLDF played a pivotal role in managing the flow of funds between Camelot and the OLD. In managing the fund, the department works closely with the National Lottery Commission (NLC) which regulates the Lottery and ensures, among other things, that the operator makes the correct payments to the OLDF. The Cabinet Office confirmed on 24 September 2010 that the NLC and the Gambling Commission will be merged as part of the Government's review of public bodies. Work is on-going towards achieving this, but the date for this has yet to be announced.

The OLDF produces an annual account separately to that for the NLDF. These accounts provide the primary accounting statements and notes required by the Horserace Betting and Olympic Lottery Act 2004, and under the Accounts Direction given by HM Treasury. The Act requires that the accounts are examined and certified by the Comptroller and Auditor General and laid, together with his report thereon, before each House of Parliament.

The investment strategy for the OLDF seeks to balance liquidity risks and interest rate risks over the life of the Olympics project. The investment strategy for the fund was informed by the Department's review of the OLD's forward commitment profile. During the period of these accounts, the funds invested by CRND have been wholly in cash instruments, primarily to avoid liquidity risks as the OLD was expected to need to make payments to the Olympic Delivery Authority at short notice.

Grant Commitments of the Olympic Lottery Distributor

Lottery distributors are deemed to have 'committed' Lottery funds once they have a signed contract in place between themselves and a grant recipient. Once an award contract is signed, the Lottery distributor becomes legally obliged to pay over the funds on condition that the terms of the grant contract are met.

On 1 April 2013, the OLD was dissolved with no outstanding grant commitments. OLD returned £45k to OLDF at the year end.

Liquidity Risks

The OLDF primarily receives its income from the National Lottery and from returns accruing on funds, which have not been drawn down by the OLD. The income into the OLDF is available to the Distributing Body for drawdown to pay grant commitments, less any operating expenses. The Distributing Body can only draw down funds available in the OLDF. As a result of the decision to hold all funds as cash instruments, there are considered to be no significant liquidity risks.

Interest Rate Risks

The Financial assets of the OLDF are invested with the CRND which manages its investments. The investments made by the CRND are made in accordance with directions made by HM Treasury and are therefore not controlled by the OLDF. The average return on the investments in the financial year was 0.50%. OLDF is not exposed to any significant interest rate risks because the investments are held as cash instruments and therefore have a high degree of liquidity.

Foreign Currency Risks

The OLDF is not exposed to any foreign exchange risks, as all the OLDF holdings and transactions are in sterling.

Staffing and Organisation

The Government Olympic Executive (GOE) was established in May 2006 from the former Olympic Games Unit. It remained part of the DCMS until its closure on 31 October 2012.

The staff costs of the member of GOE who dealt with OLDF, as well as the DCMS staff involved were charged to the OLDF in proportion to the amount of time staff spent on OLDF duties.

During the financial year, the OLDF funds were invested with the CRND whose operations are carried out by the UK Debt Management Office (DMO).

DCMS is an equal opportunities employer, which does not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation.

Operating costs

Expenses incurred in operating the fund (by the DCMS, and CRND) and by the NLC for regulating the National Lottery were met from the fund and totalled £145k for the year, £61k of which relates to the National Lottery Commission. The NLC 2012-13 accounts provide further information on this as well as their role as regulator of the Lottery. These can be found on their website, www.natlotcomm.gov.uk

The CRND publish an annual report and account for the National Lottery Fund Investment Account, which it administers. Copies can be requested directly from the CRND. Further information on the investment management role of the CRND can be found on their website, dmo.gov.uk.

Disclosure of Relevant Audit Information

As Accounting Officer, I am not aware of any relevant audit information of which the fund's auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the fund's auditors are aware of that information.

Reporting of personal data related incidents

In the Cabinet Office's Interim Progress Report on Data Handling Procedures, published on 17 December 2007, Official Report, column 98WS, the Government made a commitment that departments will cover information risk management in their annual reporting:

"Government should commit to enhanced transparency with Parliament and the public about action to safeguard information and the results of that action. Departments should cover information assurance issues in their annual reports."

As the OLDF is managed and operated within DCMS then full disclosure is to be found in the 2012-13 DCMS Annual Report and Accounts which are available on the DCMS website at <http://www.culture.gov.uk>.

Protected personal data is defined as data that meets the definition of the minimum scope of protected personal data or data that departments consider should receive a similar level of protection because it would put those affected at significant risk of harm or distress.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

The Olympic Lottery Distribution Fund Post Games time

At 31 March 2013, immediately prior to its dissolution, the OLD had no grant commitments. OLD completed all grant payments by the end of December 2012 and in advance of its dissolution on 1 April 2013.

The OLDF remains open after the dissolution of the OLD. The provisional target closure date for the OLDF is 31 July 2014. This will allow time for the payment into the OLDF of receipts from the sale of the Olympic Village, which is due to be completed at the end of March 2014, the settlement of any other outstanding payments on the closure of the Olympic Delivery Authority at the end of June 2014 and for DCMS to have the final figures in place for the drafting of the affirmative order required to affect the OLDF's closure.

Important events which have occurred since the year end

These are shown in note 13 to the accounts.

Signed:

11 July 2013

Sir Jonathan Stephens KCB
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

Remuneration Report

REMUNERATION POLICY

Administration of the Olympic Lottery Distribution Fund (OLDF) is undertaken on a part-time basis by a small number of officials in the Department for Culture, Media and Sport, whose costs are reimbursed by the OLDF. DCMS does not recharge the OLDF for the remuneration costs of departmental Ministers or the DCMS Board.

Management and control of the OLDF is vested in the Secretary of State. Details of the composition of the DCMS Ministers and Board and remuneration information may be found in the Remuneration Report of the DCMS Annual Report and Accounts 2012-13 which is subject to audit, and will be available on the DCMS website at www.culture.gov.uk

Signed:

11 July 2013

Sir Jonathan Stephens KCB
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

Statement of Responsibilities of the Secretary of State, Accounting Officer and the National Lottery Commission

Under section 33(1) of the National Lottery etc. Act 1993, as amended by section 34(11) of the Horserace Betting and Olympic Lottery Act 2004 and the Transfer of Functions (Olympics and Paralympics) Order 2007, the Secretary of State is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. A copy of the accounts direction may be obtained from the finance team, within the DCMS. The accounts are prepared on an accruals basis and must give a true and fair view state of affairs of the OLDF at the year-end and of its income and expenditure and cash flows for the period.

In preparing the accounts the Secretary of State is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the fund will continue in operation.

The Treasury has appointed me as Permanent Secretary of the Department for Culture, Media and Sport to be Accounting Officer for the OLDF. My relevant responsibilities as Accounting Officer, including my responsibility for the propriety and regularity of public finances and for the keeping of proper records, are set out in "*Managing Public Money*" – during the year of account the standards in force were set out in the Accounting Officers' Memorandum issued by the Treasury and published in the "*Government Financial Reporting Manual*".

My responsibilities over the OLDF extend to the receipt of Lottery revenues from Camelot Group plc, their placement with the CRND and disbursements to the OLD. The NLC is responsible, using the powers set out in the 1993 Act, as amended by the National Lottery Act 1998, and in the licence granted to Camelot Group plc under section 5 of the National Lottery etc. Act 1993, for ensuring that Camelot Group plc meet their obligations under the licence, including their financial obligations to the Olympic Lottery Distribution Fund. I have no locus in operational matters related to the licence.

The Department is notified of amounts due to be paid to the OLDF by Camelot Group plc; this is overseen by the NLC. The commissioners are also required to report after the end of each financial year to the Secretary of State on the exercise of their functions during the year. The Accounting Officer of the commission has provided me with a statement of assurance and in this he outlines the compliance work undertaken at Camelot Group plc during the year ended 31 March 2013 which has led him to be satisfied that the payments to the OLDF during the year to 31 March 2013 are complete and accurate in all material respects.

Signed:

11 July 2013

Sir Jonathan Stephens KCB
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

Governance Statement

The Lottery Distribution Funds (comprising the Olympic Lottery Distribution Fund and the National Lottery Distribution Fund) are managed and run by staff employed by DCMS. The management of the Lottery Distribution Funds follows the normal processes for DCMS, and consequently the governance policies of the DCMS operate with regard to both the Olympic Lottery Distribution Fund (OLDF) and the National Lottery Distribution Fund (NLDF) in the same way.

Ministers

Rt Hon Jeremy Hunt MP	Secretary of State for Culture, Olympics, Media, and Sport (until 4 September 2012)
Rt Hon Maria Miller MP	Secretary of State for Culture, Media and Sport; and Minister for Women and Equalities (from 4 September 2012)
Rt Hon Hugh Robertson MP	Minister for Sport and Tourism (until 4 September 2012) Minister for Sport and the Olympics)
Ed Vaizey MP	Minister for Culture, Communications and Creative Industries
John Penrose MP	Minister for Tourism and Heritage (until 4 September 2012)
Helen Grant MP	Minister for Women and Equalities (from 4 September 2012), and also Minister for Victims and the Courts in the Ministry of Justice
Jo Swinson MP	Minister for Women and Equalities (from 4 September 2012), and also Minister for Employment Relations and Consumer Affairs in the Department for Business, Innovation and Skills

Senior staff

Sir Jonathan Stephens*	Permanent Secretary
Jeremy Beeton*	Director General, Government Olympic Executive (until 3 November 2012)
Jonathan Rees	Director General, Government Equalities Office (from 4 September 2012 until 31 January 2013)
Simon Judge*	Director, Finance (until 12 July 2012)
Samantha Foley*	Director, Finance (from 19 September 2012)
Rita French	Director (until November 2012)
David Brooker	Director
Helen MacNamara*	Director
Clare Pillman	Director
Jon Zeff*	Director
Debbie Gupta	Director, Government Equalities Office (from 4 September 2012 until 27 September 2012)
Rachel Clark	Director, Equalities (from 4 February 2013)

*Senior staff who are members of the DCMS Board

Non-executive board members

David Verey	Lead Non-Executive Board Member
Dr Tracy Long	Non-Executive Board Member; Chair of the Audit & Risk Committee
Sir Peter Bazalgette	Non-Executive Board Member (until 31 January 2013)
Lord Coe	Ex officio* (until 18 October 2012)
Ajay Chowdhury	Non-Executive Board Member (from May 2013)
Ruby McGregor-Smith	Non-Executive Board Member (from July 2013)

*By virtue of his position a Chair of LOCOG

1. GOVERNANCE STRUCTURE

1.1 The governance structure set out below applies to the core Department, also referred to as DCMS in this statement. The Department's Arm's Length Bodies (ALBs) are governed by their own independent Boards of Trustees and each has separate governance and internal assurance structures. With respect to the Lottery Distribution Funds, the Department and the National Lottery Commission (the independent regulator) exercise appropriate controls.

1.2 DCMS has enhanced its Departmental Board ('the Board'), which provides advice and challenge to the Department and its Ministers on strategic and operational issues. The Board is chaired by the Secretary of State and is composed of Ministers, Senior Executives and Non-Executive Directors. Committees of the Board include:

- **Audit and Risk Committee:** reports to and advises the Departmental Board on governance, risk management and control; comprises a Non-Executive Board Member (NEBM) as chair, plus one other NEBM and two other independent members. They met five times in 2012-13.
- **Pay Committee:** advises on decisions on senior remuneration and reward. They met once in 2012-13.

The Board is also supported by the:

- **Executive Board:** provides corporate leadership to the Department and ensures delivery of the business plan in support of the Ministers' objectives. In addition, the sub-committee relevant to the Lottery Distribution Funds is :
 - *Corporate Committee* – manages DCMS resources and infrastructure

1.3 Attendance of Board members at the 4 meetings in 2012-13 was:

Ministers		NEBMs		Officials	
Jeremy Hunt	2	David Verey	4	Jonathan Stephens	4
Maria Miller	2	Tracy Long	4	Jeremy Beeton	2
Hugh Robertson	4	Peter Bazalgette	1	Simon Judge	1
Ed Vaizey	3	Lord Coe	0	Samantha Foley	2
John Penrose	2			Rita French	0
Helen Grant	1			Helen MacNamara	4
Jo Swinson	0			Jon Zeff	2

1.4 During 2012-13 the boards and committees have been effective in delivering policy, projects/programmes and operational priorities. David Verey, the Lead NEBM, carried out the annual review of the Board's effectiveness in March 2013. It concluded that DCMS has been through a period of considerable change and, with the addition of 2 new non-executive directors to the board, there is the opportunity to build a new team and refocus on providing challenge and support to the department on direction setting, change, performance, strategic risk management and succession planning. To maximise board effectiveness, there are still significant improvements to be made around basic discipline (prioritising board meetings, having a clear operating framework) and ensuring that board can focus on the right issues in time to make a difference (high quality papers, clear and relevant management information).

1.5 The Audit and Risk Committee (ARC) met five times during the year, one of which was with chairs of DCMS ALB Audit Committees. In line with the ARC's Terms of Reference to support the Accounting Officer and the DCMS Board in their responsibilities for governance, risk management and control, the ARC focused its attention primarily on high risk and high profile items, especially the Olympics, audit plans and reports, and legal risks. No major weaknesses were identified. In discharging her responsibility, the ARC Chair meets regularly with the Finance Director, members of the Executive Board, Internal Audit and the NAO, and holds a strategic risk workshop with senior management bi-annually.

Appointment of head of the department and the DCMS board

1.6 The head of the department (the Permanent Secretary) and other executive members of the DCMS board are appointed on terms and conditions set out in the Civil Service Management Code. These members of staff have individual contracts of employment which specify the length of their appointment (if appropriate) and termination procedures.

Disclosure of senior staff salaries and production of organisation charts

1.7 As part of the Government's Transparency agenda, DCMS has published data on the remuneration of senior staff within their organisations as at 31 March 2013, as well as organisation charts which give senior staff structure and summary information for staff at junior levels. These can be found on the DCMS Transparency website www.transparency.culture.gov.uk/category/staff/

Directorships and other significant interests

1.8 No directorships or other significant interests were held by board members, which may have conflicted with their management responsibilities.

Ministers and board members' remuneration

1.9 The details of ministers' and board members' remuneration are set out in the remuneration report in the DCMS annual accounts.

2. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

2.1 DCMS fully complies with the Code of Corporate Governance with the following variations:

- The Pay Committee, which comprises the Permanent Secretary and two NEBMs, fulfils the role of the Nominations and Governance Committee, focusing primarily so far on scrutinising the incentive structure, and is supported by the Senior People Development Committee.
- The Head of Internal Audit attends the Audit and Risk Committee, but has not been invited to Board meetings. The Chair of the Audit Committee regularly reports to the Board on key issues.

3. INTERNAL CONTROLS, RISK MANAGEMENT AND ASSURANCE

Scope of responsibility

3.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Culture, Media and Sport's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

3.2 The Department is undertaking an ambitious four year change programme to meet public sector spending challenges and best manage other changes in the sectors for which we have responsibility. This includes halving running costs by 2014-15 and developing into a model Government Department with a highly motivated and talented workforce, while prioritising critical deliverables. When considering the Department's control systems and risk management I have taken into account the impact of this major change. Staff are closely involved in the change process and receive regular communication to help reduce the associated risks.

3.3 I work closely with Ministers, meeting them to discuss significant matters individually or at the Board. I alert them promptly to risks, especially those strategic to DCMS or its major policies and to potential regularity, propriety or value for money implications of their decisions.

3.4 The Department has oversight of the National Lottery and exercises appropriate controls, working with the National Lottery Commission (the independent regulator). In view of the significance of the 2012 Olympic and Paralympic Games, additional arrangements were in place to ensure effective internal control and risk management.

3.5 For those areas material to the Lottery Distribution Funds, an overview of the governance arrangements is set out below:

- **National Lottery** – income is collected by the operator, Camelot, and overseen by the National Lottery Commission, a DCMS ALB; it is passed to the National Lottery Distribution Fund (and Olympics equivalent – the Olympic Lottery Distribution Fund).
- **The Olympics** – appropriate arrangements were in place during the year to ensure effective internal control and risk management in respect of the Olympic Delivery Authority (ODA – an executive Non-Departmental Public Body) and the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG – a company limited by guarantee). For the ODA, the Government Olympic Executive (GOE – part of DCMS until its closure on 31 October 2012), DCMS was represented at Audit Committee and Board meetings, and also on the Olympic Project Review Group, which also included members from other relevant Government Departments. The Secretary of State was a stakeholder in LOCOG and managed the Government's role as ultimate financial guarantor of the Games. The Secretary of State met LOCOG's Chair regularly; as did its Chief Executive. The GOE was also responsible for oversight and assurance of the arrangements for delivery of the whole Olympic and Paralympic Games programme, including programme and risk management arrangements that cover an extensive range of Government Departments and other bodies.

The purpose of the system of internal control

3.6 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 system of internal control has been in place in the Department for the year ended 31 March 2013 and up to the date of approval of the Accounts, and accords with Treasury guidance. Similarly, individual Accounting Officers and Boards are responsible for maintaining adequate systems of internal control within their own organisations.

Managing the risk of fraud in the DCMS

3.7 The Department maintains a "zero-tolerance" culture in respect of fraud, corruption and malpractice in the Department. In line with the cross-Government initiative, DCMS has a Fraud, Error & Debt Champion, supported by an Alerts System Coordinator. They keep up with and disseminate good practice across DCMS, including lessons arising from fraud investigations, and inform the National Fraud Intelligence Bureau of frauds. No significant issues have arisen during the year relating to the lottery bodies covered by this report.

Capacity to handle risk

3.8 As Accounting Officer, my responsibility for high standards of corporate governance includes effective management of risk throughout the Department.

3.9 The Department's risk management system establishes Deputy Directors accountable for team risk registers, whilst the Corporate Committee has overall responsibility for improving management of risk, disseminating best practice and maintaining the Strategic Risk Register.

3.10 The Department's risk framework identifies risk management as a key role of the Board, the Executive Board and its sub-committees. Policy and guidance are available to staff on the intranet and risk management master-classes have been provided.

3.11 The Risk Management framework consists of three management levels at which risks are managed: Local/Project, Committee, and Board levels.

- At the Local level, risk is managed and risk registers maintained by policy and operational teams and by project and programme teams across the Department.
- At the Committee level risk is managed by the Corporate, Committee. The Corporate Committee maintains its own risk register and manages red rated operational risks within the corporate area. Senior Responsible Officers and project/programme boards monitor individual policy and programme risks.
- Risks escalated by the Corporate Committee, and Department-wide operational, delivery and strategic risks are managed by the Executive Board, which also discusses risk at six-monthly workshops facilitated by the Chair of the Audit and Risk Committee.

3.12 An Internal Audit review of the Department's risk management systems carried out in March 2013 found that they provided reasonable assurance. It concluded that the key business risks for business as usual and programme activities are largely understood and being managed, however the overall framework for strategically monitoring and comparing risks is not sufficiently structured and consistent.

The risk and control framework

3.13 The Department's Risk Management Policy Statement and Guidance defines what "risk" and "risk management" mean and outlines the key principles underpinning our approach to risk management, the hierarchy for managing risks, the risk identification and management process and the roles and responsibilities of staff.

3.14 The Department aims to be an organisation that assesses and manages risk effectively. The combined "impact" and "likelihood" scores provide a risk rating scale of green, amber-green, amber and red. Risk tolerance is amber-green, above which all risks must be actively monitored.

3.15 For the bodies associated with Olympic and Paralympic Games, my interests have been protected by the Government Olympic Executive (GOE) within DCMS; until its closure on 31 October 2012, following the games and thereafter by DCMS. GOE was responsible for oversight and assurance of the programme and risk management arrangements for delivery of the whole Olympic and Paralympic Games programme, alongside an extensive range of other bodies including: the Olympic Delivery Authority (ODA), the London Organising Committee of the Olympic and Paralympic Games (LOCOG) and other Government departments. Each of these bodies has their own governance arrangements. The governance arrangements introduced for the Games simplified control and decision-making and delivered greater integration across the programme. The Cross Programme Finance Group monitored all financial risks and requests for use of contingency funds. These measures ensured that the Games were ultimately delivered on time, within budget and to universal plaudits. Focus since the Games has switched to enabling the successful management of risks to the post-Games transformation works and delivery of the Legacy programme.

3.16 The last GOE quarterly economic report, published in October 2012, for the period up to 30 September 2012, confirmed that the Olympic and Paralympic Games Programme was delivered on time and within budget. At that point the forecast anticipated final cost of the Olympic and Paralympic Programme was £8,921 million indicating a £377 million saving against the £9,298 million Public Sector Funding Package (PSFP). After subsequent reductions in the costs of venue-security, following LOCOG's settlement with G4S, further savings on security and policing outside the Olympic Park; and other savings by LOCOG, the revised forecast, as at end May 2013 is for an anticipated final cost of £8,770 million, indicating a £528 million saving against the PSFP.

3.17 Assurance reporting exercises supplement the Department's risk management process. Senior managers and Directors must report six-monthly on their compliance with internal control procedures and must identify any significant exceptions. Those responsible for key internal control systems must indicate what main risks exist and their responses to them. The exercises are audited and reported to the Audit and Risk Committee. No major concerns were identified relating to the Lottery bodies covered by this statement.

3.18 The following external review has been carried out on the Department, with its results published and with no significant outstanding recommendations:

- The NAO's report *The London 2012 Olympic Games and Paralympic Games : post Games review - 5 December 2012* - NAO found that :
 - By any reasonable measure the Games were a success and the big picture is that they have delivered value for money. LOCOG sold 1 million tickets and our athletes excelled. The contribution of the ceremonies and the volunteers was a huge part of the success and we do not underestimate the work involved. Crucially, the Games passed off without major transport disruption or security incident. The scale of the construction programme and the fact that it was completed on time and within budget is impressive. The government's preparations and management of the £9.3 billion Public Sector Funding Package have been led throughout by DCMS.
 - As the programme closes the Department must continue to keep tight financial control over remaining expenditure, with a view to maximising the final unspent figure.
 - The government should use the skills gained by officials who have worked on the Games, by deploying people to roles that use this experience.

3.19 The Government has shared the lessons of the Games with the planners of major events and in Summer 2013 will publish its final report of the meta-evaluation of the Games.

3.20 The Department holds very little personal data; its information risks have been identified and are mitigated in line with Cabinet Office requirements. DCMS has continued its programme of work to improve management of information risk, embedding this within the organisational culture. Information Assurance maturity was independently assessed by the Internal Audit Services, who found DCMS compliant with the requirements of the Data Handling Review.

Review of effectiveness

3.21 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, key elements of which are set out above. My review is informed by:

- Key elements of the Department's governance structure: the DCMS Ministerial Board, the Executive Board and the Audit and Risk Committee.
- The work of the internal auditors and all executive managers within the Department who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the external auditors in their management letter and other reports.

3.22 Despite all the systems, processes and controls that I have put in place, exceptions do occur, and I have emphasised that I need to be promptly alerted to any significant ones. I consider all such control issues for potential inclusion in this statement and for wider dissemination to minimise the likelihood of similar occurrences.

3.23 No significant control issues relating to the lottery funds merit mention in this statement.

3.24 Internal Audit Services (IAS) operates to Government Internal Audit Standards, and is provided by the Department for Communities and Local Government. IAS discusses its programme of work with the Department to focus it most efficiently on key Departmental risks. IAS submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of arrangements for risk management, control and governance, plus actions for

improvement agreed with management. Implementation within agreed timescales of these actions is monitored by IAS but is a management responsibility. For the year ended 31 March 2013, as a consequence of their work, IAS gave a substantial (amber-green) assurance on the adequacy and effectiveness of the system of internal control in DCMS over the course of the year.

Signed:

11 July 2013

Sir Jonathan Stephens KCB
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

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 Olympic Lottery Distribution Fund for the year ended 31 March 2013 under the Horserace Betting and Olympic Lottery Act 2004. These comprise the Statement of Comprehensive Net Income, the Statement of Changes in Amount Held for Distributing Body, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Secretary of State, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities of the Secretary of State, Accounting Officer and the National Lottery Commission, the Secretary of State for Culture, Media and Sport is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Horserace Betting and Olympic Lottery Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Olympic Lottery Distribution Fund's affairs as at 31 March 2013 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Horserace Betting and Olympic Lottery Act 2004 and HM Treasury's directions issued thereunder.

Emphasis of Matter - Going concern uncertainty

Without qualifying my opinion, I have considered the adequacy of disclosures in note 1 which describes the anticipated closure of the Olympic Lottery Distribution Fund in summer 2014. This is

subject to legislation and so there is material uncertainty as to whether the Olympic Lottery Distribution Fund will continue as a going concern

Opinion on other matters

In my opinion the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road

12 July 2013

Statement of Comprehensive Net Income for the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
<u>Income</u>			
National Lottery	2	38,037	136,028
Transfer from NLDF	2	136,000	292,000
Investment Income	3	1,049	1,286
Total Income		175,086	429,314
<u>Less: Operational Costs</u>			
Department for Culture, Media and Sport	4	41	41
National Lottery Commission Grant in Aid	5	61	338
Other Expenses	6	43	43
		145	422
Net Realised Income for Distribution		174,941	428,892
Amounts authorised for payment to the Distributing Body		(407,949)	(271,970)
Increase/(decrease) in Amount Held for Distributing Body		(233,008)	156,922
Other comprehensive income/(expenditure)		-	-
Total comprehensive income/(expenditure)		(233,008)	156,922

Statement of Changes in Amount Held for Distributing Body for the year ended 31 March 2013

	2012-13 £000	2011-12 £000
Amount held for distributing bodies at 1 April 2012	308,521	151,599
Total comprehensive income/(expenditure)	(233,008)	156,922
Amount held for distributing bodies at 31 March 2013	75,513	308,521

All transactions are in respect of continuing operations.

OLDF has no recognised gains or losses in year other than those that appear in the Statement of Comprehensive Net Income.

The notes on pages 20 to 26 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2013

	Note	2012-13 £000	2011-12 £000
<u>Current Assets</u>			
Receivables	7	37	3,450
Investments held by CRND at fair value	8	75,768	305,125
Cash at Bank and in Hand		-	-
Total current assets		<u>75,805</u>	308,575
<u>Current liabilities</u>			
Payables: Amounts falling due within one year	8	(292)	(54)
Total assets less liabilities	8	<u>75,513</u>	308,521
<u>Represented by:</u>			
Statement of comprehensive net income: amounts held for the Distributing Body	8	<u>75,513</u>	308,521

The notes on pages 20 to 26 form an integral part of these accounts.

Signed:

11 July 2013

Sir Jonathan Stephens KCB
Permanent Secretary and Accounting Officer
Department for Culture, Media and Sport

Statement of Cash Flows for the Year Ended 31 March 2013

		2012-13	2011-12
<u>Cash flows from Operating Activities</u>	Note	£000	£000
Cash received from Lottery operator		41,707	134,098
Transfer from NLDF		136,000	292,000
Cash paid for operating expenses		(163)	(430)
Cash paid to Distributing Body		(407,949)	(271,970)
Net cash inflow/(outflow) from operating activities	9	(230,405)	153,698
 <u>Cash flows from investing activities</u>			
Cash Paid to CRND for Investment		(177,628)	(426,761)
Cash received from CRND for distribution		408,033	273,063
Net cash inflow/(outflow) from investing activities		230,405	(153,698)
Net increase/decrease in cash		-	-

All investment income is re-invested by the Commissioners for the Reduction of the National Debt .

The notes on pages 20 to 26 form an integral part of these accounts.

Notes to the Financial Statements

1 Statement of Accounting Policies

Basis of Accounting

These accounts have been prepared in accordance with the accounts direction given by the Treasury. This Direction has been applied consistently in dealing with items that are considered material to the accounts. The accounting policies applied are International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context and by the Government Financial Reporting Manual (FReM).

The particular policies adopted by the fund are described below.

Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of assets at fair value.

Basis of Preparation

For 2012-13 the accounts have been prepared under the going concern principle. The fund is expected to close in summer 2014, following the dissolution of the Olympic Delivery Authority (ODA), subject to an Order made by the Secretary of State under section 28 of the Horserace Betting and Olympic Lottery Act 2004 and to an affirmative resolution in both Houses of Parliament. The remaining funds will be transferred to the National Lottery Distribution Fund (NLDF).

Nature of Account Balances

Balances held in the OLDF remain under the stewardship of the Secretary of State. The amount attributable to the distributing body at the date the Statement of Financial Position was signed, and shown in these accounts, has been certified by the Secretary of State as being available for distribution by the body in respect of current and future commitments.

Recognition of Lottery Income

Proceeds from the Lottery due to the OLDF from the operator, Camelot, were calculated on an annual basis as set out in the Section 5 Licence. Payments were made to the OLDF on the basis of actual sales and prizes. The amounts recognised in these accounts for the lottery primary contribution include income receivable on ticket sales from 1 April 2012 in respect of all draws up to and including 31 March 2013.

The lottery primary contribution also includes income due to the OLDF from the sale of scratch cards. Under the terms of the licence, income was collected by Camelot and paid to the OLDF on packs of cards once a pack becomes settled. The retail value of each pack was £120. This occurred 30 days after a pack was activated or once 60% of the low tier prizes had been won, whichever was the sooner.

Lottery prizes that remained unclaimed for 180 days after a draw, or closure of a scratch card game or interactive instant win game, were paid to the OLDF. Accruals have been made for prizes expiring on or before 31 March 2013 but not paid to OLDF at this date.

Actual prizes, together with lottery duty and an element of Camelot's fixed costs relating to sales, were deducted from weekly sales. The balance was pooled, to be shared between Camelot and the good causes.

Camelot had to seek the NLC's approval for any promotional events, such as 'Superdraws' with guaranteed jackpot prize levels, that could reduce the net weekly proceeds into the OLDF. The NLC

would only permit these promotions if they were satisfied that they were likely to increase proceeds for lottery good causes over a longer period.

Interest on the player's trust fund is recognised in the accounts on an accruals basis.

In February 2008 a statutory Instrument (SI 2008 No.255 *The payments into the Olympic Lottery Distribution Fund etc.*) was passed which allowed for the transfer of up to £1,085m of future lottery income from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund in order to meet some of the costs of hosting the 2012 games. The transfer is in addition to £750m raised through dedicated Olympic lottery games and comprises £410m as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a further £675m arising from the establishment of the final public sector funding budget of £9.325 billion, announced by the Government in March 2007. *The Payments into the Olympic Lottery Distribution Fund etc.* Order 2008 made on 2 February 2008, enabled £1,085m to be transferred as thirteen instalments of £73m each (paid quarterly), followed by two instalments of £68m each. The first transfer was made on 2 February 2009, and the last was made on 1 August 2012. Transfers from NLDF were accounted for when each instalment became due and disclosed in the statement of comprehensive net income. No prior year adjustment is required.

Of the additional £675m, £250m was transferred from the arts, sport and national heritage good causes and £425m from the funds allocated to the Big Lottery Fund.

Recognition of Amounts Drawn by Distributing Body

The amounts recorded as drawn down by the distributing body represent the actual cash claims made by the OLD.

Investments

Investments are available for sale financial assets.

Investments held by the CRND are valued in these accounts at fair value at 31 March 2013, these accounts only disclose the cash flows for the movement of cash between CRND, OLDF and the lottery distributors.

HM Treasury has directed CRND, under sections 32(1) and 32 (2) of the 1993 Act that the OLDF income be invested in those investments specified in paragraphs 1,2,3,5,5A, 5B,9 and 9A of Part II of Schedule 1 of the Trustee Investments Act 1961 in such manner as CRND shall, at their absolute discretion, determine.

Having taken account of DCMS's wish to avoid negative income returns over a 3-month period, but without prejudice to their absolute discretion, CRND exercise their investment powers in accordance with the investment framework.

Each quarter, DCMS reviews the investments in partnership with CRND.

Financial Instruments

The fund accounts for financial instruments in accordance with IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosures.

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. IAS 39 requires financial instruments to be measured in a way that reflects the fair value of the asset or liability.

Available for sale financial assets are adjusted to fair value annually with any revaluation posted to a revaluation reserve. Any premium or discount on cost is amortised in the Statement of Comprehensive

Net Income as an adjustment to the investment income.

Receivables are classified as loans and receivables and are recognised at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

Payables are short term and are measured at amortised cost which reflects the fair value of these liabilities as they fall due within one year.

Impact of New IFRS and Financial Reporting Manual Amendments

There are no other standards and interpretations in issue yet to be adopted that the Department anticipates will have a material effect on future reporting periods.

2 Income from Lottery Activities

	2012-13 £000	2011-12 £000
Primary Contribution	32,383	132,834
Unclaimed Prizes	5,571	3,111
Penalties on lost and stolen tickets	-	-
Income from Ancillary Activities and other items	83	83
	<u>38,037</u>	<u>136,028</u>
Transfer from National Lottery Distribution Fund	136,000	292,000
	<u>174,037</u>	<u>428,028</u>

3 Investment Income

	2012-13 £000	2011-12 £000
Interest received on investments	<u>1,049</u>	<u>1,286</u>

The investment objective for OLFDF is to protect the capital of the fund and to provide for the Olympic Lottery Distributor's liquidity needs. The range of permitted investments is restricted to those contained within a direction made by HM Treasury, and is implemented by CRND.

During the period of these accounts, the entire balance has been held as short term deposits rather than invested in gilts. There are therefore no profits/losses on sales of investments and no revaluation gains/losses.

4 Operational Costs: Department for Culture, Media and Sport

	2012-13 £000	2011-12 £000
Staff Costs	8	9
Other costs (including audit)	33	32
	<u>41</u>	<u>41</u>

The external auditor's remuneration for the year 2011-12 of £23,000 was charged in year by DCMS and is included as part of DCMS 2012-13 charges. The external auditor's remuneration for 2012-13 will be £16,000 and will form part of DCMS charges in 2013-14 and be disclosed in those accounts.

In 2012-13 five members of DCMS were engaged on OLDF matters part time. Their staff costs are charged in proportion to the amount of time they spend on OLDF duties.

A share of the accommodation costs of the building occupied by DCMS has been charged to the OLDF, on the basis of the floor area occupied by DCMS staff engaged on OLDF matters as a proportion of the building as a whole. Similarly a share of the Central Service Costs incurred by DCMS has been charged on the basis of the number of DCMS staff engaged on OLDF matters as a proportion of the total number of DCMS staff.

5 Reconciliation of National Lottery Commission Operational Costs

DCMS recover the net costs of running the National Lottery Commission (NLC) from the National Lottery Distribution Fund (NLDF) and the Olympic Lottery Distribution Fund (OLDF). The net cost consists of the Grant in Aid paid to NLC less the licence fee income received by NLC and surrendered to DCMS in appropriations-in-aid.

The licence fee income is the sum of payments made by the lottery operator, Camelot, for each new Section 6 licence granted for new lottery games.

	2012-13 £000	2011-12 £000
Gross share of costs	61	338
Lottery Operator licence fee Income	-	-
Amount payable to DCMS	<u>61</u>	<u>338</u>

The total Grant in Aid paid to the National Lottery Commission was £1,958k with a total of £49.5k received by DCMS in operator licence fee income. The split between the NLDF and the OLDF is as follows:

	NLDF £000	OLDF £000	Total £000
Grant in Aid paid to NLC by DCMS	1,897	61	1,958
Lottery Operator licence fee income	(50)	-	(50)
Amount recoverable by DCMS	<u>1,847</u>	<u>61</u>	<u>1,908</u>

6 Other Expenses

	2012-13 £000	2011-12 £000
Commissioners for the Reduction of the National Debt	<u>43</u>	<u>43</u>

This is the amount paid to the CRND for management of the OLDF Investment Fund Account.

7 Receivables

	2012-13	2011-12
	£000	£000
Ticket sales income due as a result of draws prior to year end	37	3,450

8 Balance on Olympic Lottery Distribution Fund

	at 31 March 2013		at 31 March 2012	
	Cost	Fair Value	Cost	Fair Value
	£000	£000	£000	£000
Investments held by the CRND	75,768	75,768	305,125	305,125
Receivables (Note 7)	37	37	3,450	3,450
Payables	(292)	(292)	(54)	(54)
Balance held	75,513	75,513	308,521	308,521
Payables : Intra-government balances	(292)	(292)	(54)	(54)

Payables consist of £27k for DCMS operating costs and £8k for the NLC recovery of grant in aid. In addition there is an adjustment for £257k relating to an overpayment of primary contribution to OLDF that should have been paid to NLDF. The 2012-13 NLDF account is showing the corresponding receivable.

Under s32 of the National Lottery etc Act 1993, all monies held by the National Debt Commissioners are regarded as investments by the Secretary of State.

During the period, all investments held by CRND on behalf of the OLDF are cash equivalents. Funds held by CRND in these asset classes would meet the definition of cash under IAS 7 if they were held directly under the control of the Secretary of State as they are repayable on demand within one working day.

The call notice deposits are demand deposits with the Debt Management Office and the National Loans Fund (NLF).

The funds are actually held at arm's length by CRND in a revolving investment fund i.e. investment returns re-invested directly into the fund. Thus, while the instruments held are highly liquid cash equivalents, the balance held is treated as an investment rather than as cash in accordance with IAS 7.

For further details on the investing activities of CRND please refer to the Olympic Lottery Distribution Fund Investment Account published by CRND.

9 Reconciliation of Amounts Held for Distributing Body as disclosed in the Statement of Comprehensive Net Income with Net Cash Inflow/(Outflow) from Operating Activities

	2012-13 £000	2011-12 £000
Increase/(decrease) in amounts held for distributing body	(233,008)	156,922
Less Investment Income	(1,049)	(1,286)
	(234,057)	155,636
(Increase)/decrease in lottery operator receivables	3,414	(1,930)
Increase/(decrease) in payables	238	(8)
Net cash inflow/(outflow) from operating activities	(230,405)	153,698

It is the policy of the OLDF to hold a nil cash balance whenever possible and to transfer all funds to the CRND for investment on the day of receipt.

10 Financial Instruments

IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments: Disclosure, have been applied. IFRS 7 requires disclosures that allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments during the period.

11 Short Term Receivables/Payables

As permitted by IFRS 7, receivables and payables which mature or become payable within 12 months of the balance sheet date have been omitted from this note.

12 Related Party Transactions

The OLDF is maintained under the control and management of the Secretary of State for Culture, Media and Sport. The DCMS is considered to be a related party. During the year, a number of staff employed by the DCMS worked on OLDF related activities and the fund used a number of the assets owned by DCMS. These costs were recharged to the fund by DCMS and are reflected in Note 4 of the accounts. DCMS is also the sponsoring department of the Olympic Lottery Distributor and the Olympic Delivery Authority which is the principal recipient of funding from the Olympic Lottery Distributor.

The London Organising Committee of the Olympic Games and Paralympic Games Limited is a related party as the Secretary of State is a member of the Company.

The Olympic Park Legacy Company Limited was incorporated on 8 May 2009 as a not for profit company limited by guarantee. Its purpose was to plan, develop and maintain the Olympic Park and those facilities it would own after the London 2012 Games. The Olympic Park Legacy Company Limited ceased on 31 March 2012 and its responsibilities were assumed by the London Legacy Development Corporation.

During the year the OLDF received £136m from the NLDF. The NLDF is under the management and control of the Secretary of State for Culture, Media and Sport, as such it is regarded as a related party.

CRND, which is ultimately part of HM Treasury, is also considered a related party.

The NLC, whose role is to monitor and provide assurance that the payments to the OLDF during the year are complete and accurate in all material aspects, is a related party.

No Minister, Board member, key manager or other related parties has undertaken any material transactions with the OLDF during the year.

For further details please see the DCMS Annual Report and Accounts.

13 Events after the Reporting Period

These accounts were authorised for issue by the Accounting Officer on the 11 July 2013.



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