

Olympic Lottery Distribution Fund Account 2011-12

Annual Report and Accounts for the year ended 31 March 2012

Presented to Parliament pursuant to section 33(3) of the National Lottery etc. Act 1993,
as amended by the National Lottery Act 1998, and 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 comes from a variety of sources, including the National Lottery. Under new funding arrangements announced on 15 March 2007, up to £2.175 billion was to be contributed by the National Lottery. £750 million of this has been raised from designated Olympic Lottery games.

The OLDF was established to receive and hold the monies generated from the Lottery specifically for the 2012 Olympics until distributed by the Olympic Lottery Distributor (OLD) to fund any facilities, services or functions which the distributor considers are 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 will close once its primary purpose has been met and the Secretary of State makes the Order required under section 28 of the Horserace Betting and Olympic Lottery Act 2004 to wind up the fund. Ministers have provisionally agreed that the fund will be wound up on 31 July 2014, subject to final Ministerial approval.

Where the money comes from

The Horserace Betting and Olympic Lottery Act 2004 enabled National Lottery games to be established 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 the possibility of an extension for a further five. Camelot will therefore be the operator throughout the existence of the OLDF.

The principal categories of income into the OLDF for the period to 31 March 2012 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 £292 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 OLD are used to make grants or loans under section 30 of the 2004 Act. The distributor's main grant recipient is the Olympic Delivery Authority (ODA), the body responsible for delivering the venues and supporting infrastructure for the 2012 Games.

Following discussions with CRND it was agreed that the OLDF funds should be invested from the outset in the Debt Management Account Deposit Facility 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 a new 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 are 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 was reduced by £27m and in 2011-12 remains at £9.298bn.

The £750 million income target from the Olympic Lottery games was reached at the beginning of May 2012. Funds raised from the Olympic Lottery games over and above the £750 million will be transferred in due course to the National Lottery Distribution Fund for the benefit of the National Lottery good causes.

Financial Commentary

This is the seventh set of accounts of the OLDF. These accounts are for the year ending 31 March 2012. The primary financial statements and associated notes for the OLDF are set out in these accounts. £136m was raised by the Olympic Lottery during the year. There was £292m transferred during the year from the NLDF to the OLDF. The Olympic Lottery Distributor drew down £272m. 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 NLC for regulating the National Lottery. The balance on the fund at 31 March 2012 is held by the CRND.

Governance of the Fund

The Statement of Financial Requirements, issued by the then Secretary of State for Culture, Olympics, 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 seeks 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 is 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.

The Accounting Officer of the OLDF obtains independent confirmation of the reliability of the assurances provided by the Accounting Officer of the OLD on the adequacy of the distributor's systems from the work of the DCMS Government Olympic Executive and the department's internal auditors.

For 2011-12 the fund was maintained under the control and management of the Secretary of State for Culture, Olympics, 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 plays 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 is 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.

At 31 March 2012, the OLD had hard grant commitments of £433m compared with the balance in OLDF of £308m. As a result the OLD was over committed by £125m. These commitments are expected to be funded by lottery proceeds up to the date of the Olympics, and by the transfer of funds from the NLDF during 2012-13 of £136m.

Liquidity Risks

The OLDF 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 in cash.

Foreign Currency Risks

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

Staffing and Organisation

The Government Olympic Executive (GOE) was established in May 2006 from the former Olympic Games Unit. The GOE remains part of the DCMS.

Members of GOE, as well as DCMS staff are engaged part time on OLDF matters. Their staff costs are 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 are met from the fund and totalled £422k for the year, £338k of which relates to the National Lottery Commission. The NLC 2011-12 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 NLDF is managed and operated within DCMS then full disclosure is to be found in the 2011-12 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 Gamestime

Up to 31 March 2012 the OLD has committed grants totaling £1,821 million. OLD is aiming to have all grant payments completed by the end of December 2012 and in advance of its planned dissolution date of 31 March 2013.

The OLDF will remain open after the dissolution of the OLD. This will allow time for the settling of any outstanding receipts and payments and for DCMS to have the final figures in place for the drafting of the affirmative order required to affect the OLDF's closure. A target closure date of 31 July 2014 for the OLDF has been provisionally agreed with Ministers.

Important events which have occurred since the year end

These are shown in note 12 to the accounts.

Signed:

23rd January 2013

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

Remuneration Report

REMUNERATION POLICY

Administration of the 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 NLDF 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 2011-12 which has been subject to audit, and will be available on the DCMS website at www.culture.gov.uk

Signed:

23rd January 2013

Jonathan Stephens
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 2012 which has led him to be satisfied that the payments to the OLDF during the year to 31 March 2012 are complete and accurate in all material respects.

Signed:

23rd January 2013

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

GOVERNANCE STATEMENT

The OLDF is managed and run by staff employed by DCMS. The management of the OLDF follows the normal processes for DCMS, and consequently the governance policies of the DCMS operate with regard to the OLDF.

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 ALBs are governed by their own independent Boards of Trustees and each has separate governance and internal assurance structures, whose details can be found in its individual annual report and accounts (which are all individually reviewed as part of the process of preparing the Group Accounts). There are greater levels of independence for the public corporations and public broadcasting authorities. With respect to the National Lottery, both 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 an equal number 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.
- Pay Committee: advises on decisions on senior remuneration and reward.

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-committees are:
 - *Corporate Committee* – manages DCMS resources and infrastructure
 - *Policy Committee* – provides project/programme assurance and allocates the flexible resourcing pool
 - *Investment Committee* – approves and monitors major capital projects (Department and its Arm's Length Bodies [ALBs]).

1.3 In 2011/12 the new governance structures described above were set up and significant progress was made in bedding them down. David Verey, the Lead NEBM, carried out a review of the Board's effectiveness in March 2012. It concluded that the Board collectively had a clear understanding of DCMS's work and strategy, but that it was too soon to quantify the value added by the Board. It also found that further work was needed in developing the agendas and papers for the Board. Overall, the boards and committees have been effective in delivering policy, projects/programmes and operational priorities. There has been real progress in providing the right management information to the boards and committees and developing its flow through the Department. Next year the focus and format of board and committee meetings will improve, especially flow of risks and issues through the structure.

- 1.4 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, broadband and spectrum projects, Arm's Length Body sponsorship, Internal Audit plans and reports, and legal risks. No major weaknesses were identified. In addition, the ARC commissioned a high-level review of the Department's Internal Audit service – the review was positive, and its recommendations are being taken forward. 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.

2. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

- 2.1 In line with the new Corporate Governance Code 2011, the Department set up a new enhanced Board, which included the appointment of a Lead NEBM. 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.
 - 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*. That also applies across the DCMS Group, within the context of the governance arrangements applicable to each body within the Group.
- 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 - notably the 2012 Olympic and Paralympic Games - and absorbing major new responsibilities for the digital and telecoms sectors. 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 I have designated the Chief Executives of The Royal Parks (TRP) and DCMS's executive Non-Departmental Public Bodies (NDPBs) as Accounting Officers for their respective bodies, responsible for: signing their own governance statements and annual accounts – now consolidated within the Department's Accounts; fulfilling the terms of their Management Agreement; and promptly reporting any significant internal control systems breakdowns to me. The the Department regularly monitors these, alongside taking a risk-based approach to engagement with the bodies.

- 3.5 The Department is also responsible for some advisory NDPBs; unclassified bodies that receive Exchequer funding; public corporations and public broadcasting authorities – which have greater levels of independence; and other Arm's Length Bodies (ALBs) that receive DCMS grant funding. In addition, 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 preparations for the 2012 Olympic and Paralympic Games, additional arrangements were in place to ensure effective internal control and risk management.
- 3.6 For those areas material to the group accounts, an overview of the governance arrangements is set out below:
- a) 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), which Note 11 to these Accounts explains are DCMS related parties, and for which I hold a separate Accounting Officer responsibility.
 - b) 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 ALB), 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) 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. For LOCOG the Secretary of State is a stakeholder in the company, managed the Government's role as ultimate financial guarantor of the Games, met LOCOG's Chair regularly (as did I its Chief Executive) and nominates a member of the LOCOG Board (who also sits on its Audit Committee). 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.
- 3.7 In 2011-12 and during the rest of the current Spending Review period the Department is undertaking a major programme of reform to its ALBs, including abolitions, mergers and transfers to other public bodies. Associated risks are being identified and managed. This programme is expected to deliver increased accountability, greater transparency and increased value for money.

The purpose of the system of internal control

- 3.8 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 2012 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

- 3.9 The Department maintains a "zero-tolerance" culture in respect of fraud, corruption and malpractice in the Department and its ALBs, who are required to report all incidences of fraud or suspected fraud promptly to 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 and its ALBs, including lessons arising from fraud investigations, and inform the National Fraud Intelligence Bureau of frauds. No significant issues have arisen during the year.

Capacity to handle risk

- 3.10 As Accounting Officer, my responsibility for high standards of corporate governance includes effective management of risk throughout the Department.
- 3.11 The Department's organisational structure changed in 2011/12, and the risk management structure and guidance were reviewed accordingly. Meanwhile, the Department continued with its previous risk management system: Deputy Directors were accountable for team risk registers and the Finance Team maintained overall responsibility for improving management of risk, disseminating best practice and maintaining the Strategic Risk Register.
- 3.12 A new risk framework was introduced in March 2012 and approved by the Audit and Risk Committee; it identifies risk management as a key role of the Board, the Executive Board and its sub-committees. Responsibility for the risk management system moved to the Corporate Committee. Policy and guidance are available to staff on the intranet and risk management masterclasses have been provided.
- 3.13 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, Policy and Investment Committees. 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. The Policy Committee maintains an overview of collective project and programme red risks across the Department's portfolio. The Investment Committee considers the financial implications of and risks inherent in individual large DCMS and ALB capital projects.
 - Risks escalated by these Committees, 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.
- 3.14 The Department has also developed a new risk-based approach to its engagement with its ALBs, which focuses resources on higher risk organisations. This approach has been highlighted by the NEBM network as best practice and is being adopted by other Departments. Individual ALBs are responsible for their own risk management, in line with best practice.
- 3.15 An Internal Audit review of the Department's risk management systems carried out in March 2012 found that they provided reasonable assurance. It concluded that the Department was moving in the right direction with the new risk framework and approach but that the system had not yet been fully effected.

The risk and control framework

- 3.16 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, the roles and responsibilities of staff etc.

- 3.17 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.
- 3.18 I make Accounting Officers of all these bodies aware of the continual importance of managing risks proportionately, maintaining a sound internal control system and ensuring propriety, regularity and value for money in all aspects of governance, decision-making and financial management. To provide me with assurance at the year end, they must incorporate a governance statement in their accounts and notify me of significant internal control weaknesses or issues arising during the financial year (or after the year end and before the Department's accounts are signed). I take prompt follow up action as necessary on any matters identified from these governance statements or notifications. Matters of sufficient significance are considered for disclosure in this statement. In addition, the Department's ALBs have their own Audit Committees.
- 3.19 For the bodies associated with Olympic and Paralympic Games, my interests have been protected by the Government Olympic Executive (GOE) within 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, including an extensive range of other bodies such as the Olympic Delivery Authority (ODA) and the London Organising Committee of the Olympic and Paralympic Games (LOCOG) – the principal delivery bodies, who each have their own governance arrangements, and many other Government departments. Improved governance arrangements introduced for the Games simplified control and decision-making and delivered greater integration across the programme during 2011-12. 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.
- 3.20 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. The forecast anticipated final cost of the Olympic and Paralympic Programme is £8,921 million. If confirmed this would represent a saving of £377 million against the Public Sector Funding Package of £9,298 million.
- 3.21 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.
- 3.22 The Department has large portfolio of projects and programmes. Staff are trained to take a rigorous project management approach in line with best practice, including management of risk. The Department has a good strategic relationship with the Efficiency Reform Group and a number of high profile programmes and projects were subject to Gateway reviews during the year.

- 3.23 The following external reviews have been carried out on the Department, with their results published and no significant outstanding recommendations:
- The NAO's report *Preparations for the London 2012 Olympic and Paralympic Games: Progress report December 2011* – NAO found that:
 - The ODA remained on track to deliver its work on the Olympic Park on time, within budget and to the standard required
 - Good progress was being made across almost all of the operational work streams but some new operational requirements and risks to delivery had emerged including a 13,700 increase in the number of security guards and a near doubling of venues security costs
 - The likelihood that the Games could still be funded from within the Public sector Funding Package was finely balanced and almost the whole Package of £9.298 billion was likely to be required.

The Department notes that, in practice, the Games were delivered on time, within budget and with the security risk being successfully managed.
 - The Department also makes every effort to respond to PAC recommendations within realistic timescales.
- 3.24 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 organisational culture. During the year Information Assurance maturity was independently assessed by Internal Audit Services, who found DCMS compliant with the requirements of the Data Handling Review.

Review of effectiveness

- 3.25 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
 - Relationships with DCMS's ALBs, including reviews of their own individual accounts.
- 3.26 Despite all the systems, processes and controls that I have put in place, which Accounting Officers appointed for the Department's ALBs should similarly have established, 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.
- 3.27 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit and Risk Committee.
- 3.28 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 2012, although IAS identified significant control weaknesses in the Security Policy Framework systems and processes, it did not consider these to be pervasive in their effect on the system of internal control. On that basis, and as a consequence of their work, it gave a substantial (amber-green) assurance on the adequacy and effectiveness of the system of internal control over the course of the year.

Signed and approved

Jonathan Stephens
Accounting Officer

23rd January 2013

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 2012 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 Secretary of State, Accounting Officer and the National Lottery Commission, the Secretary of State for Culture, Olympics 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Olympic Lottery Distribution Fund's affairs as at 31 March 2012 and of its increase in funds available 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.

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

28th January 2013

Statement of Comprehensive Net Income for the year ended 31 March 2012

		2011-12 £000	2010-11 £000
<u>Income</u>			
National Lottery	2	136,028	106,849
Transfer from NLDF	2	292,000	292,000
Investment Income	3	1,286	886
Total Income		429,314	399,735
<u>Less: Operational Costs</u>			
Department for Culture, Media and Sport	4	41	37
National Lottery Commission Grant in Aid	5	338	256
Other Expenses	6	43	43
		422	336
Net Realised Income for Distribution		428,892	399,399
Amounts authorised for payment to the Distributing Body		(271,970)	(357,110)
Increase/(decrease) in Amount Held for Distributing Body		156,922	42,289

Statement of Changes in Amount Held for Distributing Body for the year ended 31 March 2012

	2011-12 £000	2010-11 £000
Amount held for distributing bodies at 1 April	151,599	109,310
Increase/(decrease) in Amount Held for Distributing Body	156,922	42,289
Amount held for distributing bodies at 31 March	308,521	151,599

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 27 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2012

	Note	2011-12 £000	2010-11 £000
<u>Current Assets</u>			
Receivables	7	3,450	1,520
Investments held by CRND at fair value	8	305,125	150,141
Cash at Bank and in Hand		-	-
Total current assets		<u>308,575</u>	151,661
<u>Current liabilities</u>			
Payables: Amounts falling due within one year	8	(54)	(62)
Total assets less liabilities	8	<u>308,521</u>	<u>151,599</u>
<u>Represented by:</u>			
Statement of comprehensive net income: amounts held for the Distributing Body	8	<u>308,521</u>	<u>151,599</u>

The notes on pages 20 to 27 form an integral part of these accounts.

Signed:

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

23rd January 2013

Statement of Cash Flows for the Year Ended 31 March 2012

		2011-12	2010-11
<u>Cash flows from Operating Activities</u>	Note	£000	£000
Cash received from Lottery operator		134,098	106,392
Transfer from NLDF		292,000	292,000
Cash paid for operating expenses		(430)	(331)
Cash paid to Distributing Body		(271,970)	(357,110)
Net cash inflow/(outflow) from operating activities	9	153,698	40,951
 <u>Cash flows from investing activities</u>			
Cash Paid to CRND for Investment		(426,761)	(398,061)
Cash received from CRND for distribution		273,063	357,110
Net cash inflow/(outflow) from investing activities		(153,698)	(40,951)
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 27 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 2011-12 Government Financial Reporting Manual (FRoM)

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.

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, are calculated on an annual basis as set out in the Section 5 Licence. Payments are 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 2011 in respect of all draws up to and including 31 March 2012.

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

Lottery prizes that remain unclaimed for 180 days after a draw, or closure of a scratch card game or interactive instant win game, are paid to the OLDF. Accruals have been made for prizes expiring on or before 31 March 2012 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, are deducted from weekly sales. The balance is pooled, to be shared between Camelot and the good causes.

Camelot must seek the NLC's approval for any promotional events, such as 'Superdraws' with guaranteed jackpot prize levels, that may reduce the net weekly proceeds into the OLDF. The NLC will only permit these promotions if they are satisfied that they are 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 are accounted for when each instalment becomes 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 currently 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 2012, 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 intend to 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.

Balances held at the OLDF are adjusted to fair value 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 interest account.

Receivables are recognised at carrying value, reduced by appropriate allowances for estimated irrecoverable amounts. Payables are short term and are stated at carrying value in recognition that these liabilities fall due within one year.

Impact of New IFRS and Financial Reporting Manual Amendments

The following new, revised or amended IFRS and FReM amendments will become effective for future reporting periods, and have not been adopted early in these financial statements:

- IFRS 9 Financial Instruments (effective date 1 January 2013)

Under IFRS9 financial assets should be classified on the basis of the entity's business model for their management and their contractual cash flow characteristics. They should be measured at fair value and subsequently at either fair value or amortised cost. IFRS9 simplifies the clarification and measurement of financial assets, removing the numerous categories of financial assets specified in IAS 39 and resulting in one impairment method.

There are no other standards and interpretations in issue but not yet adopted that the Department anticipates will have a material effect on future reporting periods.

2 Income from Lottery Activities

	2011-12	2010-11
	£000	£000
Basic Contribution from Lottery Operator under licence	132,834	103,293
Camelot adjustment ¹	-	(66)
National Lottery Promotion Unit ²	-	(70)
Primary Contribution (see note below)	132,834	103,157
Unclaimed Prizes	3,111	3,585
Penalties on lost and stolen tickets	-	92
Income from Ancillary Activities and other items	83	15
	136,028	106,849
Transfer from National Lottery Distribution Fund	292,000	292,000
	428,028	398,849

Under the Licence to run the National Lottery, Camelot is allowed to recover certain amounts from the Primary Contribution figures. These adjustments are divided between the NLDF and OLDF in proportion to ticket sales

¹ This adjustment was made in accordance with the conditions of the third licence competition. Flexibility around recharge arrangements was included in the tender contract to ensure a fair competition, and with the aim of enhancing future yields to maximise value to good causes. Further details can be found in the tender document for the third licence, available at www.natlotcomm.gov.uk/assets-uploaded/documents/Invitationtoapplyforthethirdlicence

² This recovers the OLDF share of the combined NLDF/OLDF contribution to the National Lottery Promotions Unit (NLPU).

3 Investment income

	2011-12 £000	2010-11 £000
Interest received on investments	<u>1,286</u>	<u>886</u>

The investment objective for OLDF 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

	2011-12 £000	2010-11 £000
Staff Costs	9	10
Other costs (including audit)	32	27
	<u>41</u>	<u>37</u>

The external auditor's remuneration for the year 2010-11 of £23,500 was charged in year by DCMS and is included as part of DCMS 2011-12 charges. The external auditor's remuneration for 2011-12 will be £23k and will form part of DCMS charges in 2012-13 and be disclosed in those accounts. The external auditor's remuneration for 2010-11 was £23,500, (2010 - £26,500 including £2,500 for IFRS) including £2,000 (2010 - £1,100) for Whole of Government Accounts work.

In 2011-12 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 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.

	2011-12	2010-11
	£000	£000
Gross share of costs	338	266
Lottery Operator licence fee Income	-	(10)
Amount payable to DCMS	<u>338</u>	<u>256</u>

The total Grant in Aid paid to the National Lottery Commission was £5,100k with a total of £45,900 received by DCMS in operator licence fee income. The split between the NLDF and the OLDF is as follows:

	NLDF	OLDF	Total
	£000	£000	£000
Grant in Aid paid to NLC by DCMS	4,762	338	5,100
Lottery Operator licence fee income	(46)	-	(46)
Amount recoverable by DCMS	<u>4,716</u>	<u>338</u>	<u>5,054</u>

6 Other expenses:

	2011-12	2010-11
	£000	£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:

	2011-12	2010-11
	£000	£000
Ticket sales income due as a result of draws prior to year end	3,450	1,520

8 Balance on Olympic Lottery Distribution Fund

	at 31 March 2012		at 31 March 2011	
	Cost	Fair Value	Cost	Fair Value
	£000	£000	£000	£000
Investments held by the CRND	305,125	305,125	150,141	150,141
Receivables (note 7)	3,450	3,450	1,520	1,520
Payables	(54)	(54)	(62)	(62)
Balance held	308,521	308,521	151,599	151,599

Payables: Intra- government balances (54) (54) (62) (62)

Payables consist of £4k for DCMS operating costs and £50k for the NLC recovery of grant in aid .

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 - other than a small Ways and Means cash balance - were held as Call Notice Deposits. 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 Account & 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 IAS7.

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 Increase in Amounts Held for Distributing Body as disclosed in Statement of Comprehensive Net Income with Net Cash Inflow from Operating Activities.

	2011-12 £000	2010-11 £000
Increase/(decrease) in amounts held for distributing body	156,922	42,289
Less Investment Income	(1,286)	(886)
	155,636	41,403
(Increase)/decrease in lottery operator receivables	(1,930)	(457)
Increase/(decrease) in payables for operating expenses	(8)	5
Net cash inflow/(outflow) from operating activities	153,698	40,951

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.

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.

11 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 is to plan, develop and maintain the Olympic Park and those facilities it will own after the London 2012 Games. The Olympic Park Legacy Company Limited ceased on 31 March 2012 and its responsibilities assumed by the London Legacy Development Corporation.

During the year the OLDF received £292m 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.

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.

12 Events after the reporting period

From 01 April 2012 The London Legacy Development Corporation replaced The Olympic Park Legacy Company Limited and assumed responsibility for planning, developing and maintaining the Olympic Park and those facilities it will own after the London 2012 Games. The London Legacy Development Corporation is a body under the auspices of the Mayor of London.

On 01 August 2012 the final transfer of £68 million from NLDF to OLFDF took place completing the cycle of quarterly transfers from NLDF to OLFDF totalling £1,085m instituted in order to meet some of the costs of hosting the 2012 Olympic & Paralympic games.

The Olympic Games took place 28 July to 12 August 2012
The Paralympic Games took place 29 August to 09 September 2012

On 04 September 2012 the Rt Hon Maria Miller replaced the Rt Hon Jeremy Hunt as the Secretary of State for Culture, Media and Sport and has assumed the responsibilities attributed to the Secretary of State as laid out in these accounts from that date.

These accounts were authorized for issue by the Accounting Officer on the date the audit opinion was signed.



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