

Presented to Parliament pursuant to Section 26(1) and Section 26(3) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998)

Sports Council for Wales Lottery Distribution Account 2011-12

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Sports Council for Wales Lottery Distribution Account 2011-12

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 17 JULY 2012

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Annual Report

Foreword

History and statutory background

The National Lottery etc Act 1993 (as amended) nominated the Sports Council for Wales as the body responsible for distributing funds generated by the lottery to sport in Wales. The duties of Sport Wales in performing its Lottery functions are carried out pursuant to the account directions issued by the Secretary of State for Culture, Olympics, Media and Sport, in accordance with Section 26(1) of the National Lottery etc Act 1993 and the Statement of Financial Requirements issued under Section 26(3) of the Act.

Management

The management and administration of the Lottery function is carried out through the Sports Council for Wales (known by its trade name, Sport Wales) and the panels established by Sport Wales to assist in distributing Lottery funds to good causes in Wales.

During 2011-12, Sport Wales comprised the following board members;

Prof L McAllister **	(Chair)
Mr Robert Harris	(Retired 31.03.2012)
Reverend Hywel Davies	(Retired 31.03.2012)
Mrs Adele Baumgardt	(Retired 31.03.2012)
Mr Richard Palmer *	(Retired 31.03.2012)
Mr David Roberts	(Reappointed 01.04.2011)
Mr Martin Warren */**	(Reappointed 01.04.2011)
Prof. John Bayliss *	(Appointed 01.04.2011)
Mr Richard Cuthbertson *	(Appointed 01.04.2011)
Mr Andrew Morgan	(Appointed 01.04.2011)
Mr Simon Pirotte	(Appointed 01.04.2011)
Mr Paul Thorburn	(Appointed 01.04.2011)
Mr Alan Watkin *	(Appointed 01.05.2011)
Dr H Jones	(Chief Executive)

* Member of the Audit committee

** Member of the Remuneration committee

Registered office

Sophia Gardens
Cardiff
Wales
CF11 9SW

Declarations of interest

All Members and Senior Staff of Sports Wales have completed a return detailing any interests in Organisations which provide, or may seek to provide, commercial services to Sport Wales for 2011-12. Information provided that requires disclosure in accordance with International Accounting Standard 24 is disclosed in Note 17 of these accounts.

Lottery funding and additionality

All Lottery distributors are required to report on their policy and practice

Lottery funding is distinct from government funding and should not replace Exchequer spending. Where appropriate, it can complement government and other programmes, policies and funding.

When we assess applications for funding, we ensure additionality is considered. We work closely with leading organisations to ensure that our funding programmes add value to government and other funding but do not replace it.

Management Commentary

Our purpose as Wales' sports development and advocacy agency is twofold: to inspire more people to become, and remain active for life and to boost the performance of our elite athletes, teams and coaches.

Sport Wales works in partnership with others to achieve these aims and has a role in bringing partners and people together; local authorities, governing bodies of sport, communities, coaches, adults, young people, children and the entire nation to support, participate and excel in sport. Sport Wales works towards achieving equality in all of our functions, whilst embracing the spirit of equality legislation and eradicating any form of unfair discrimination.

Sport Wales' priorities are as follows

Sporting innovation

Wales has a sports sector that embraces collaboration, encouraging new ways of delivering opportunities to increase participation and improve elite performance.

Skills for a life in sport

Every child and young person is provided with the skills and confidence from an early age to be physically literate through high quality, engaging sporting experiences.

Sporting communities

We have communities with sport at the heart of them, offering joined up opportunities for every child and young person to undertake at least five hours of safe, high quality sport every week and sustaining their engagement throughout their adult life.

Sporting excellence

We are a nation that excels in nurturing sporting talent and delivers on-going success on the international stage.

Growing a skilled and passionate workforce

All those involved in sport, whether in a professional or voluntary capacity, are supported to pass on their skills and passion for sport to the people of Wales.

Performance and development during the year and trends and factors underlying performance and development

The Welsh Government funds Sport Wales to deliver its strategic policy objectives in relation to sport and physical recreation.

Sport Wales' Corporate plan sets out key milestones in a number of priority areas. The plan identifies how we will continue to deliver on the Assembly Government's agenda for sport and physical activity and reinforces our duty to positively influence participation, performance and partnerships.

Our Board have individual and collective responsibility to the Welsh Government in relation to performance management, scrutiny and advocacy issues. A key part of this is to monitor Sport Wales' strategic performance through the Corporate Plan. Progress against our strategic objectives and actions will be scrutinised on a quarterly basis.

At the start of 2011, Sport Wales Board members agreed that Results Based Accountability (RBA) report cards would be used to present the information within the Corporate Plan and to report progress on a quarterly basis. This replaces the previously used traffic light system to scrutinise performance. The report cards outline our strategic objectives and actions. In order to demonstrate how our work contributes towards the Vision for Sport in Wales, work is organised around the five priorities listed above.

Capital grants

The fund's principal activities are aimed at increasing participation and improving performance in sport and physical recreation. Sport Wales introduced its plans for the distribution of lottery funds to capital projects in September 1994. A two stage process is used for all capital applications. The first stage of the application enables the initial focus to be more on the added benefits to sport and the aims, objectives and proposed management of the project. Applicants seek provisional approval of a scheme prior to undertaking the investment necessary to present the full application.

Capital grants totalling £4,831,000 (2010-11 £918,000) were met during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to capital grants fell by £2,491,000 in 2011-12 (2010-11 fall of £577,000).

Revenue grants

Revenue grant payments totalling £5,483,000 (2010-11 £5,018,000) were met during the year. The amount provided in the accounts for hard commitments (signed contracts) relating to revenue grants decreased by £105,000 in 2011-12 (2010-11 increase of £41,000).

The following section explores our performance over the period 2011-12 in relation to lottery funding and the Vision priorities.

Sporting excellence

A new Focus 14 Board was established during 2011-12. We have increased investment in identified sports and athletes to ensure they are given every opportunity to achieve their medal targets. We have also aimed to increase the support given to Elite Sport by increasing governing bodies' use of the National Centre during 2011-12, and use has increased by 3,265 hours compared with the previous year. Facility use has also been expanded with regular 10m indoor shooting training taking place, and planning permission has been given for an outdoor shooting range.

Sport Wales' staff has been working with Welsh Government's Major Events Unit and UK Sport to identify major events that align with the Elite Sport Strategy and regular meetings have been held during the course of the year.

Growing a skilled and passionate workforce and sporting communities

A Coaching & Volunteering Strategy is in place for 2010-16. During 2012 a review of expenditure on coaching began, to challenge the outcomes we are getting for our investment on coaching and volunteering. In terms of elite sport, targets have been set for the number of active coaches and officials we want to see over the coming year, and a number of full time coaches have been appointed in our key elite sports, as identified in the Elite Sports Strategy. The Coach of the Year event and the National Volunteering Week have been used to promote opportunities to volunteer through engaging the media and working directly with our partners. We have also used research statistics to demonstrate the economic benefits of volunteering.

At a grass roots level, the amount of funding that clubs can apply for Community Chest has been increased from £1,000 to £1,500 so that coach education can be further supported, as well as providing more opportunities for people to take part in community based activity.

Our track record in disability sport in Wales continues to earn credibility and international respect. With good increases in club membership organised by the Disability Community programme, we can evidence that sport is becoming even more inclusive. Disability Sport Wales continues to make progress through insport: programmes which intend to support National Governing Bodies of Sport (insport NGB), Local Authorities (insport Development), and clubs (insport Club) to provide inclusive, quality sessions to disabled people within their communities and at a level of their choice or potential. A number of approaches are being piloted across Wales.

The table below shows data from some of our key output data.

Performance Indicators 2011-12

	Output 2010-11	Output 2011-12
Number of athletes moving through the Sport Wales pathway onto UK athlete pathway	11	15
Proportion of Welsh Athletes on UK athlete pathway	5.65	5.40
Number of affiliated club members within Sport Wales supported National Governing Bodies (NGB)	455,049	454,334*
Number of hours of NGB use at the National Centre	20,694	23,959

* There was nil return from 3 NGBs.

Over the period of our Corporate Plan 2012–2015, the following key outcomes will be measured:

- The percentage of young people in school years 3-11 who participate three or more times a week in an extracurricular and/or club setting.
- The percentage of young people in school years 3-11 who participate in sport in a club; 6.3 the percentage of young adults 16-24 participating on three occasions a week on average in the previous four weeks.
- The percentage of adults aged 15+ that volunteered in the last 12 months.
- Key Stage 3 attainment in Physical Education (5+).

Population outcome measures can be reported on every two years.

Environment, Social and Community Issues

Social and community issues

Our work is guided by several key documents: One Wales, the programme for the coalition government; Creating an Active Wales, the five year strategic action plan to deliver Climbing Higher; and the Vision for Sport in Wales.

One Wales is a 'comprehensive and progressive government programme for improving the quality of life of people in all of Wales' communities, from all walks of life, concentrating on the most vulnerable and disadvantaged'.

The principles of social justice, sustainability and inclusivity that underpin One Wales complement the Welsh Government's long-term strategy for sport and physical activity, Creating an Active Wales. The objective of the strategy is to have:

An active, healthy and inclusive Wales, where sport and physical activity provide a common platform for participation, fun and achievement, which binds communities and the nation and where the outstanding environment of Wales is used sustainably to enhance confidence in ourselves and our place in the world.

The Vision for Sport in Wales is underpinned by four Sport Wales supporting strategies: the Community Sport Strategy, Child Poverty Strategy, Elite Sport Strategy and Coaching and Volunteering Strategy.

The Community Sport Strategy and Child Poverty Strategy respond to social and community issues. Sport Wales aspires to get every child hooked on sport for life, and our priorities form the strategic basis for our work in achieving Core Aim 4 of the Welsh Government's 7 Core Aims, which states every child and young person should "have access to play, leisure, sporting and cultural activities". This means working with our partners to ensure that there are opportunities for children and young people to participate and that we are doing everything we can to ensure barriers that prevent this are overcome.

The Community Sport Strategy sets out clear priorities to enable a dramatic shift in the range and number of people involved in local sport. The Child Poverty Strategy will not be solely delivered by Sport Wales, but outlines our commitment to making a difference to children, young people and their families who live in poverty.

We recognise that we cannot deliver the Welsh Government's agendas without our partners. Sport in Wales is the result of partnership work. As well as planning and delivering our contributions to these strategies, we also support our partners in planning, developing and sustaining their contributions.

Sustainability

Sport Wales is actively pursuing policies that will seek to reduce the impact its operations have on the environment. Sport Wales undertakes a number of initiatives to reduce environmental impact, the main delivery being achieved via the Green Dragon* Environmental Standard and by working in conjunction with the Carbon Trust.

The work undertaken so far by Sport Wales has reduced gas, oil and electricity consumption over a number of years, resulting not only in a lower carbon footprint but also in reduced fuel costs. The determination by Sport Wales to reduce the environmental impact of its activities has been recognised with the awarding of level three accreditation of the Green Dragon* standard at our National Centre in Plas Menai; and a level two Green Dragon* accreditation at our Sport Wales National Centre in Cardiff.

In addition where possible:

- The use of electronic media has been utilised including using podcasts and video conference calls as a means of communicating with stakeholders in place of individuals travelling to events.
- Documents, newsletters and publications are sent electronically saving time, resources and money.
- Cardboard, paper, toners, bottles and cans are collected and recycled.

In line with the Welsh Government's stated aim to enable integrated reporting on sustainability Sport Wales will put systems in place during 2012-2013 that capture information for Sustainability Reporting.

Financial results

Total comprehensive income for the financial year amounted to £2,536,000 (2010-11 total comprehensive income of £2,669,000). This has been transferred to reserves.

The statement of financial position for 2011-12 shows a total net asset figure of £9,872,000 (2010-11, £7,336,000).

Movement on lottery balance to 31 March 2012

The following table shows the movements of the balances held with the National Lottery Distribution Fund in the year:

Balance at 1 April 2011 (£000)	Income Received (Net) (£000)	Money Drawn Down From National Lottery Distribution Fund (£000)	Transfer to Olympic Lottery Distribution Fund (£000)	Unrealised Gain (£000)	Balance at 31 March 2012 (£000)
11,928	13,654	(11,400)	(1,952)	152	12,382

The table shows an increase in the balance held of £0.454 million, compared to £1.507 million in the previous financial year.

* Green Dragon is a stepped Standard recognising effective environmental management. The Standard offers an environmental management system relevant to the specific needs of companies and organisations and rewards actions taken to achieve environmental improvements.

Pension scheme

Employees of Sport Wales are members of the Cardiff and Vale of Glamorgan Pension Fund (the Fund). The Fund is a defined benefit scheme providing benefits based on final pensionable pay, and its assets are held separately from those of Sport Wales. Any pension built up before April 2008 is calculated at a rate of 1/80th with a lump sum of three times pension. Pension built up from 1 April 2008 is calculated at the rate of 1/60th and there is an option to take an extra lump sum in exchange for pension. The contributions of employees and manual staff are set at 5.5 per cent to 7.5 per cent based on salary range.

Sickness absence data

The sickness data for 2011-12 (2010-11) is as follows

Total Days Lost	Total Number of Employees (FTE)	Total Sick Days Lost Per Person
698.47 (1,356.37)	150.48 (143.45)	4.64 (9.46)

Employee policy

Sport Wales has an extensive range of policies which reflect current legislation, and aim to secure retention and motivation. These policies are reviewed regularly with staff involvement via a recognition agreement with the PCS Union. All policies are equality checked before implementation.

Investing in our people

This year will also see the roll out of our comprehensive learning framework; a systematic, planned approach to encourage quality learning and development of our staff. A blend of formal and informal learning, the framework is designed to invest in staff skills, knowledge and confidence to deliver the Vision for Sport in Wales.

Personal data management

Current practices

Sport Wales takes all reasonable measures to protect the personal data obtained from its stakeholders, customers and, of course, its employees during the course of its business activities.

All sources of personal and sensitive data are recorded in Sport Wales's Risk Register and assigned to managers to ensure the on-going proper maintenance and use of the data.

Data management controls include password protection on all databases holding personal and sensitive data, restricting access to data, holding manual data in locked cupboards and ensuring data handling protocols are in place. In addition, all removable storage devices (USB Sticks) are now encrypted and secured with passwords. Restrictions on connecting non-Sport Wales USB devices to computers have been implemented which reduces the risk of data being removed without authorisation.

Folder and database permissions are monitored using a specific auditing tool (VaronisDatAdvantage) within the ICT department. This highlights any permission anomalies and makes recommendations for changes to ensure consistency.

Smartcards are now in force for all computer users which control access to logon and applications that have separate usernames and passwords (Single Sign-On). These provide enhanced logon security requiring a user to have a Smartcard plus unique password.

The Staff Handbook contains a section which provides guidance on data protection issues and this is available to all staff via the corporate intranet. The ICT Handbook covers all use of ICT systems by employees and gives guidance on data security protocols.

Future data protection controls

Portable computer encryption was evaluated on older hardware but found to adversely affect the performance. Encryption on newer portable computer hardware is currently being tested and is expected to be implemented during third quarter of 2012. This will provide additional protection of Sport Wales data where the hardware will support it.

During 2011-12 there were no personal data related issues to report.

Supplier payment policy and performance achieved

Sport Wales complies with the Better Payment Code (which can be located on www.payontime.co.uk) and has a policy of paying payable accounts within 30 days of receipt of agreed invoices following the supply of goods or services, this policy will be used for the current and following year. During 2011-12 98 per cent (2010-11 99 per cent) of transactions by number were paid within 30 days. Sport Wales agree and abide by the terms of settlement with its suppliers; all variation to this procedure must be agreed in writing. Analysis of payments made during the year reveals that the payable settlement days were three days (2010-11 9 days). No interest was incurred by Sport Wales during the year as a result of late payments.

Sport Wales is also aiming to pay suppliers wherever possible within 10 days in accordance with the Managing Public Money guidance issued in October 2008. During 2011-12 87 per cent (2010-11 90 per cent) of transactions by number were paid within this timescale.

Risk identification and management

Corporate risks are assigned to and managed by the appropriate manager, Head of Service, Director or in some cases by the Accounting Officer. Operating risks, especially those of the two national centres, are the responsibility of the two centre managers unless delegated to their subordinates.

During 2011-12 the main component of the risk management strategy was the Risk Register. The Risk Register is an electronic solution that is accessible to relevant managers via Sport Wales's internal network.

The Risk Register identifies significant corporate risks, an overall assessment of likely impact and probability, control measures and where required, a list of future action measures.

The Risk Register is reviewed at regular intervals by managers, and reported on to the Audit Committee.

In addition to the above, managers continue to attend the Audit Committee and explain the risks for which they have responsibility, the controls in place to mitigate the risks, and details of any future action required. This process allows Audit Committee members to hear first-hand how risks are being managed, whilst allowing audit committee members to ask questions that will enable them to obtain the assurances they need.

Financial risk and capital management

Sport Wales mainly holds financial instruments to finance its operations, for example trade receivables and trade payables, and cash balances arise directly from its operations.

The financial risk management of exposures arising from trading financial instruments, primarily trade receivables and trade payables, is through a series of policies and procedures. These risks are managed as follows

Liquidity risks

Sport Wales is satisfied that it has sufficient liquid resources, in the form of cash at bank and agreed funding for 2011-12, to meet all current contracted commitments. Sport Wales considers that it is not exposed to significant liquidity risks.

Interest rate risks

Cash balances, which are drawn down from the Welsh Government to pay grant commitments and operating costs, are held in instant access variable rate bank accounts which on average carried an interest rate of 0.50 per cent (2010-11 50 per cent) in the year. The year-end cash balance held by the Council in the bank was £448,000 (2010-11 £966,000).

Foreign currency risk

Sport Wales is not exposed to any foreign exchange risks.

Cash flow risk

Sport Wales is not exposed to any cash flow risk.

Remuneration of auditors

During 2011-12, no non audit work was undertaken by our external auditor, the Comptroller and Auditor General.

Statement on disclosure of relevant audit information

- a As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware, and
- b The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any audit information and to establish that the auditors are aware of that information.

Remuneration Report

In accordance with Chapter 5 of the Financial Reporting Manual, Sport Wales is required to disclose the following concerning remuneration during the year of Council Members and Senior Staff with responsibility for running policy making departments. Treasury guidance requires the financial statements to disclose the cash equivalent transfer value of pensions for Sport Wales Members and Senior Staff.

Remuneration policy

The Chair and members of Sport Wales are paid in accordance with the Welsh Government 'Remuneration and expenses of Chairs and Members of ASGBs and NHS Bodies' policy. With the exception of the Chief Executive, senior managers receive no additional performance or bonus payments.

The Chief Executive is paid a performance bonus in accordance with guidelines issued by the Welsh Government. The performance bonus is determined by the Remuneration Committee which consists of Sport Wales Chair and Chair of the Audit Committee supported by Sport Wales's Human Resources Manager. In addition to agreeing the Chief Executive's performance bonus, the Remuneration Committee also meets to agree the annual pay award for all staff via the Welsh Government's pay remit process.

Service contracts

The Senior Staff of Sport Wales are employed on terms and conditions broadly analogous to the Welsh Government terms and conditions.

Sport Wales Members are appointed by Welsh Ministers for a three year contracted period and may be reappointed for a further three year period. The Chairman is remunerated at a daily rate of £337 and is contracted to work two days per week. Other Council Members receive a daily rate of £282 and are contracted to work two days per month.

Notice period

The Chief Executive is entitled to four months notice of termination of contract by Sport Wales and the remaining Senior Staff are entitled to three months notice of termination of contract.

Salary

'Salary' includes gross salary and performance bonuses where applicable. During the year the Chief Executive received a gross salary of £76,416, (2010-11 £76,416). No bonus payments were made to the Chief Executive or any other member of staff during the year (2010-11 £Nil). A proportion of the Senior Management salary costs are allocated to lottery.

Benefits in kind

There are no benefits in kind.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interest of the Senior Managers of Sport Wales.

Remuneration (subject to audit)

Name	Title	Salary 2011-12 £000	Salary 2010-11 £000
Prof L McAllister (from 01/04/07)	Chair	35-40	35-40
Dr H Jones (from 01/01/03)	Chief Executive	75-80	75-80
C James (from 01/02/06)	Corporate Director	65-70	65-70
A Hamilton (from 01/09/07 to 30/09/11)	Head of People & Programme Development (55-60 full year equivalent)	25-30*	55-60
A Williams (from 14/12/94)	Manager Plas Menai Watersports Centre	55-60	55-60
S Powell (from 01/09/07)	Corporate Director	55-60	55-60
M Frost (from 01/09/07)	Corporate Director	55-60	55-60
M Zaple (from 01/04/97)	Manager Sport Wales National Centre	55-60	55-60
S Thomas (from 06/04/09)	Corporate Director	55-60	50-55
A Baumgardt (reappointed from 01/04/09 to 31/03/12)	Council Member	5-10	5-10
R Palmer (reappointed from 01/04/09 to 31/03/12)	Council Member	5-10	5-10
R Harris (reappointed from 01/04/09 to 31/03/12)	Council Member	5-10	5-10
H M Davies (reappointed from 01/04/09 to 31/03/12)	Council Member	5-10	5-10
D L Roberts (reappointed from 01/04/11 to 31/03/14)	Council Member	5-10	5-10
S M Thomas (from 01/04/08 to 31/03/11)	Council Member	–	5-10
M J Warren (reappointed from 01/04/11 to 31/03/14)	Council Member	5-10	5-10
Dr W M Leyshon (from 01/04/08 to 31/03/11)	Council Member	–	5-10
Prof J Bayliss (from 01/04/2011 to 31/03/14)	Council Member	5-10	–
R Cuthbertson (from 01/04/2011 to 31/03/14)	Council Member	5-10	–
A Morgan (from 01/04/2011 to 31/03/14)	Council Member	5-10	–
S Pirotte (from 01/04/2011 to 31/03/14)	Council Member	5-10	–
P Thorburn (from 01/04/2011 to 31/03/14)	Council Member	5-10	–
A Watkin (from 01/05/2011 to 31/03/14)	Council Member	5-10	–

* In addition to the salary payment a redundancy payment of £91,555 was made.

Median remuneration ratio

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

	2011-12	2010-11
Band of Highest Paid Director's Total Remuneration (£'000)	75-80	75-80
Median Total Remuneration	18,737	16,708
Ratio	4.1	4.6

The ratio was calculated using the following assumptions:

- Only salaries for staff paid through the payroll has been used (excludes agency/seasonal staff as not material),
- Annualised salary figures are calculated using an appropriate cut-off date for starters and leavers during the year, and
- Figures have not been adjusted to reflect any apportionment to the Lottery accounts i.e. costs reflect all staff employed by The Sports Council for Wales processed through the payroll.

Total remuneration includes salary as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest-paid director in Sport Wales in the financial year 2011-12 was £75,000-80,000 (2010-11 £75,000-80,000). This was 4.1 times (2010-11 4.6 times) the median remuneration of the workforce, which was £18,737 (2010-11 £16,708).

The reduction in the ratio has occurred due to a restructuring exercise that took place during 2011-12 which has reduced the number of seasonal and permanent employees. All other factors used in calculating the ratio have remained constant i.e. no change to the highest-paid director and salaries, due to a pay freeze.

Pension benefits (subject to audit)

Name	Real increase in Pension (and lump sum) at age 65 £000	Total accrued Pension at age 65 at 31 March 2012 (lump sum) £000	CETV at 31 March 2012 £000	CETV at 31 March 2011** (restated) £000	Real Increase CETV in Year £000
Dr H Jones <i>Chief Executive</i>	0.0 – 2.5 (–2.5 – 0.0)	25 – 30 (65 – 70)	525	493	26
C James <i>Corporate Director</i>	0.0 – 2.5 (–2.5 – 0.0)	5 – 10 (10 – 15)	136	122	9
A Hamilton <i>Head of People and Programme Development</i>	0.0 – 2.5 (–2.5 – 0.0)	10 – 15 (30 – 35)	203	193	8
A Williams <i>Manager Plas Menai Watersports Centre</i>	0.0 – 2.5 (–2.5 – 0.0)	20 – 25 (45 – 50)	385	360	21
S Powell <i>Corporate Director</i>	0.0 – 2.5 (–2.5 – 0.0)	10 – 15 (20 – 25)	130	116	10
M Zapple <i>Manager Sport Wales National Centre</i>	0.0 – 2.5 (–2.5 – 0.0)	15 – 20 (45 – 50)	320	300	16
M Frost <i>Corporate Director</i>	0.0 – 2.5 (–2.5 – 0.0)	10 – 15 (15 – 20)	155	140	11
S Thomas <i>Corporate Director</i>	0.0 – 2.5 (0.0 – 2.5)	0 – 5 (0 – 5)	39	29	6

** The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETVs at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to Sport Wales's pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase/(decrease) in CETV

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

Further information is set out at note 18.

Dr H G Jones
Accounting Officer

10 July 2012

Statement of Sports Council for Wales and Chief Executive's responsibilities

Under Section 35 (2) - (3) of the National Lottery etc Act 1993, the Sports Council for Wales (Sport Wales) is required to prepare a statement of accounts for the financial period in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of Sport Wales Lottery Distribution activities at the year end and of its income and expenditure, changes in equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer and Council are required to comply with the requirements of HM Treasury's Financial Reporting Manual and in particular to:

- Observe the accounts direction issued by the Secretary of State for Culture, Olympics, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether appropriate accounting standards, as set out in HM Treasury's Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the fund will continue in operation.

The Principal Accounting Officer for the Welsh Government has designated the Chief Executive as Accounting Officer for Sport Wales. His relevant responsibilities as Accounting Officer for Lottery distribution activities, including his responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Sport Wales's assets, are set out in the Welsh Government's Accounting Officers Memorandum issued by HM Treasury.

Dr H G Jones
Accounting Officer

10 July 2012

Annual Governance Statement 2011-12

Introduction

HM Treasury has announced that for the 2011-12 financial year and onwards, the Annual Statement on internal Control will be replaced by a requirement to produce a Governance Statement in our annual report and accounts. By uniting disclosures formerly required to be made in the Statement on Internal Control with other existing requirements to publish a comprehensive explanation of organisational governance, the Governance Statement brings together in one place all disclosures about matters relating to an organisation's governance, risk and control.

As Accounting Officer I am personally responsible for the Governance Statement which outlines how I have discharged my responsibility to manage and control the resources of Sport Wales during the course of the year.

As Accounting Officer I have reviewed the 2011 Corporate Governance Code and believe that Sport Wales has fully complied with the relevant elements of the code in respect of both its Exchequer and Lottery functions.

Corporate governance

The Board

Corporate Governance is the system by which organisations are directed and controlled. The Board of Sport Wales is responsible for the governance of Sport Wales and the Sports Council for Wales Trust. The Board's role is to satisfy itself that an appropriate governance structure is in place.

The Sport Wales Board is made up of Chair, a vice chair and up to twelve other members all of whom are appointed by the Welsh Government.

During the financial year the Board met on seven occasions to review strategies and policies, to receive verbal reports back from working groups and the Audit Committee and to receive and consider financial reports. The information provided to board members was considered more than adequate evidenced by the Governance Questionnaire completed by board members.

During the year, and including the position of the Chair, Sport Wales operated with thirteen board members. The attendances for both the Board and the Audit Committee are shown in the table below.

Board Member	Board Meeting (Number of meetings attended)	Audit Committee (Number of meetings attended)
Prof L McAllister (Chair)	7	Not Applicable
A Baumgardt	7	Not Applicable
Rev. H Meredydd	5	Not Applicable
R Harris *	1	Not Applicable
A Morgan	7	Not Applicable
S Pirotte	6	Not Applicable
D Roberts	7	Not Applicable
P Thornburn	7	Not Applicable
M Warren (Audit Chair)	6	4
A Watkin	7	4
Prof J Baylis	7	4
R Cuthbertson	6	3
R Palmer	6	2
(External members – Audit Committee only)		
S Blair	Not Applicable	3
K Evans	Not Applicable	2
Overall Percentage Attendance rate	86.8 per cent	78.5 per cent

* Absences notified to and agreed by the Board Chair.

To discharge its responsibilities and to obtain the assurance required that demonstrate good governance practices are in place, the Board has agreed the following governance structure:

- Two permanent committees. The Audit Committee and the Remuneration Committee;
- Task and finish groups approved by the Board. During 2011-12 four such groups were established; and finally
- The Executive Management Team and staff structure.

Audit Committee

The Council has established an Audit Committee to support them in their responsibilities for issues of risk, control and governance and associated assurance by:

- Reviewing the comprehensiveness of assurances in meeting the Council's / Accounting Officer's assurance needs;
- Reviewing the reliability and integrity of these assurances; and
- Providing an opinion on how well the Council and Accounting Officer are supported in decision making and in discharging their accountability obligations (particularly in respect of Financial Reporting).

The Audit Committee consists of five Board members and two external members. The committee met four times during the year and there was an overall member's attendance rate of 78.5 per cent.

Over the year the committee reviewed:

- the operation of the risk management review framework;
- internal audit reports and the annual internal audit report;
- the Annual Report and accounts;
- observations made by external audit, particularly the annual management letter and the Additional Assurance Report;
- compliance with the Management Statement and Financial Memorandum issued by the Welsh Government as well as compliance with the Lottery Statement of Financial Requirement; and
- Provided a mechanism for assurance to the Board.

The Audit Committee Chair reports back verbally to the Board at every Board meeting. In addition the Chair usually presents a formal report on the committee's work to the Board.

In 2011-12 there were no information risk issues or significant control weaknesses to report.

Remuneration Committee

The Chair and Vice Chair of the Board and the Chair of the Audit Committee sit on the Remuneration Panel along with Sport Wales officers. Officers of Sport Wales will remove themselves from discussion where there is a conflict of interest.

The role of the panel is to ensure pay awards comply with Welsh Government guidelines and that they are affordable. Due to the public sector pay freeze, the committee did not meet during 2011-12.

Task and finish groups

Task and finish groups are appointed by the Board as and when required. The groups are made up of Board members appointed by the Chair and officers of Sport Wales. They are tasked with providing additional help and advice to the Board within specific themes and meet on an ad-hoc basis.

During 2011-12 the following task and finish groups were operational:

- 1 The members advocacy group;
- 2 The local government advocacy group;
- 3 The focus 2014 group; and
- 4 The performance management group.

A Chair is appointed to each task and finish group who then reports back verbally at Board meetings.

The Executive Senior Management Team

The Executive Senior Management Team consists of the Chief Executive (also the Accounting Officer) and the four Corporate Directors.

The Executive, under the leadership of the Chief Executive, is responsible to the Board for the implementation of strategy and policies and the reporting thereof.

The Executive meets at regular intervals and monitors progress against the Business Plan through quarterly monitoring and reporting.

National governing body and local authority investment plans are discussed with partners every year. On the basis of the work required and the outputs and outcomes to be achieved, the funding level is determined. The finalised grant funding levels are approved by the Board every year. Officers of Sport Wales monitor partner progress against planned objectives throughout the year.

Board and committee effectiveness

Board and committee effectiveness is reviewed every year during one, or sometimes two, Board away day sessions. During 2011-12 an away day reflective session was held in November 2011.

In the furtherance of being more effective, the Board considered the following:

- 1 How a better alignment of the Board and Senior Management Team (the Executive) could be achieved;
- 2 The restructuring of Board papers so that they align with the Sport Wales Vision document; and
- 3 A reflection on the principles of behaviour and how these behaviours could be improved to make for more effective ways of working.

As a result of the above review the following points of action were agreed:

- 1 That the Board should engage in high level scrutiny of the implementation of strategy by the Executive;
- 2 That the Board should be involved at a much earlier stage in policy development and not presented with policies just for sign off;
- 3 That the Board will oversee and scrutinise leadership and performance management skills of the Executive; and
- 4 The Board members will reflect on how to improve the working relationship between Board members and the Executive.

In addition to the away day reflective sessions, the Chair commenced a process of informal one to one meetings with Board members during 2011-12.

The Board considers the quality of data provided to them to be sufficient to meet their assurance/decision making needs.

Risk management

The purpose of the system of internal control

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 Council 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 at Sport Wales for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. Finally the system of internal control provides reasonable assurance that Sport Wales has complied with the Lottery financial directions and that adequate processes are in place for the detection of conflicts of interest and to minimise losses of Lottery grants.

Capacity to handle risk

As Accounting Officer I am personally responsible for ensuring that the Sports Council for Wales has an effective risk management process. We have a documented Risk Management Policy that contains definitions relating to risk management and the policy also sets out how we identify, analyse and manage risk.

Corporate risks are assigned to and managed by the appropriate manager, Corporate Director or in some cases by myself as the Accounting Officer. Operating risks, especially those of the two national centres, are the responsibility of the two centre managers unless delegated to their subordinates.

New risks can be identified by officers of Sport Wales, the Audit Committee or the Board. When a new risk has been identified, and it is considered to be a significant risk, it is inserted into the Risk Register and assigned to a Corporate Director and/or manager.

The Risk Management Policy is available to all staff and managers via Sport Wales's intranet, and Sport Wales's Risk Register is available to most managers via Sport Wales's internal network.

The risk and control framework

The risk management strategy defines how risk managed by Sport Wales is identified, assessed and controlled. Business, financial and service delivery risks are derived from organisational objectives and the business planning process of Sport Wales.

During 2011-12 the main component of the risk management strategy was the Risk Register. The Risk Register is an electronic solution that is accessible to relevant managers via Sport Wales's internal network.

The Risk Register identifies significant corporate risks including risks to information, an overall assessment of likely impact and probability, control measures and where required, a list of future action measures. The Risk Register is reviewed at regular intervals by managers, and reported on to the Audit Committee.

During 2011-12 the policy of requesting managers to attend audit committees continued. In attending the committees, managers talked through their sections of the Risk Register, with an emphasis on explaining the controls they had in place to prevent the risk actually happening.

Risk appetite is implemented via the individual risk assessments of managers and monitored via the internal audit reports presented to the Audit Committee.

Risk appetite is also reviewed every year by the Audit Committee. This process reviews the amount of risk Sport Wales is prepared to tolerate against seven headings. These headings are Funding; Governance and Risk Management; Reputation and Partnerships; Legislation and Compliance; Financial Controls; Grants Payments and finally, Operational issues.

The above review produces a matrix upon which are mapped the risk tolerances and the number of internal audit findings against each of the seven headings and then subdivided under each heading into four groups ranging from low risk to very high risk.

No audit findings were classified as being of 'high' or 'very high' risk. Also, as a result of this review, no new significant risks were identified.

Internal control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Sport Wales's policies, aims, and objectives. I also have personal responsibility for safeguarding the proceeds from the National Lottery distributed to Sport Wales and Sport Wales's assets, in accordance with the responsibilities assigned to me in Managing Welsh Public Money.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Sports Council for Wales who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control via the Audit Committee meetings and I plan to address weaknesses and ensure continuous improvement of the system in place.

The internal audit service of the Sports Council for Wales during 2011-12 was provided by KTS Owens Thomas Ltd, which operated to standards defined in the Government Internal Audit Manual. Internal audit submit regular reports which include the Head of Internal Audit's independent annual opinion on the adequacy and effectiveness of Sport Wales's system of internal control, together with recommendations for improvement.

The Annual Internal Audit Report for the year states "The Work we have undertaken during the year has not highlighted any fundamental weaknesses in the organisation's governance and risk management arrangements and we are satisfied that Sport Wales, in general, is aware of the need for, and operates adequate control systems". The report goes on to state "On the basis of the work we have undertaken during the year and the action agreed with managers to resolve some of the weaknesses identified, we believe that Sport Wales can be satisfied that its systems provide the basis for enabling effective financial and management control".

Every year the Audit Committee produces an Annual Report of their work to the Board of Sport Wales. This report will identify any concerns, if any, relating to the adequacy of the risk management systems in place at Sport Wales.

Ongoing developments

Whilst the current system of internal control is strong, nevertheless there are always areas which will benefit from the implementation of improvements. With this ethos of continuous improvement in mind, controls will be improved during 2012-13 by actioning the following:

- To revise the format of the existing Risk Register as agreed at the March 2012 Audit Committee to facilitate the easier presentation and communication of significant corporate risks to the board of Sport Wales;
- To replace the current Risk Register with a web based version to allow for easier access and updating by all managers regardless of their physical location;
- To strengthen budgetary controls by requesting all budget holder's must sign (via Outlook) for their budgets whilst at the same time accepting they must comply with the financial procedures of Sport Wales;
- To strengthen the finance function through the recruitment of a qualified accountant; and to
- Continue with the 'away day' reviews of the Board's effectiveness and develop this process further via the Performance Management Group.

Dr H G Jones
Accounting Officer

10 July 2012

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Members of the National Assembly for Wales

I certify that I have audited the financial statements of the Sports Council for Wales Lottery Distribution Account for the year ended 31 March 2012 under the National Lottery etc. Act 1993. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Chief Executive and Auditor

As explained more fully in the Statement of Sports Council for Wales and Chief Executive's Responsibilities, the Sports Council for Wales and the Chief Executive as Accounting Officer are 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 National Lottery etc. Act 1993. 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 Sports Council for Wales Lottery Distribution Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Sports Council for Wales; 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.

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 recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by 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 Sports Council for Wales Lottery Distribution Account's affairs as at 31 March 2012 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made with HM Treasury approval under the National Lottery etc. Act 1993; and
- the information given in the Foreword and Management Commentary sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

11 July 2012

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

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

	Notes	2011-12 £000	2010-11 £000
Expenditure			
Grant commitments made in year	3	7,757	5,742
Less lapsed and revoked commitments	3	(39)	(342)
Staff costs	7	1,432	1,547
Depreciation: owned assets	9	24	21
Other Operating Costs	8	336	268
Olympic Lottery Distribution Fund		1,952	1,952
Total expenditure		11,462	9,188
Gross Income			
Proceeds from National Lottery Distribution Fund (NLDF)		13,598	11,632
Investment returns from the NLDF		98	88
Recoveries of grant		22	15
Other Income	8	127	137
Total Income		13,845	11,872
Net Income before interest and taxation		2,383	2,684
Investment Income			
Interest receivable		1	1
Net income before taxation		2,384	2,685
Taxation Payable	6	–	–
Net income after taxation		2,384	2,685
Other Comprehensive Expenditure			
(Gain)/Loss on the revaluation of NLDF investments		(152)	16
Total Comprehensive income for the year ended 31 March 2012		2,536	2,669
Balance at 1 April		7,336	4,667
Balance at 31 March		9,872	7,336

The notes on pages 27 to 37 form part of these accounts.

All recognised gains and losses have been calculated on the historical cost basis and have been reflected in the above statement. All activities are continuing with no acquisitions or disposals.

Statement of Financial Position for the year ended 31 March 2012

	Notes	31 March 2012 £000	31 March 2011 £000
Non Current Assets			
Property, plant and equipment	9	122	103
Current Assets			
Trade receivables and other current assets	10	125	137
Investments-balance held in NLDF		12,382	11,928
Cash and cash equivalents	12	448	966
Total Current Assets		12,955	13,031
Total Assets		13,077	13,134
Current Liabilities			
Provision for Hard Grant Commitments	3	(2,910)	(5,535)
Other current liabilities	11	(208)	(205)
Total Current Liabilities		(3,118)	(5,740)
Non Current assets plus Net Current Assets		9,959	7,394
Non Current Liabilities			
Provision for Hard Grant Commitments	3	(87)	(58)
Assets less Liabilities		9,872	7,336
Reserves:			
Income and Expenditure Reserve		9,872	7,336
		9,872	7,336

The notes on pages 27 to 37 form part of these accounts.

Dr H G Jones
Accounting officer

10 July 2012

Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2011-12 £000	2010-11 £000
Operating Activities			
Cash drawn down from NLDF		11,400	8,250
Other income		147	154
Grant payments		(10,073)	(5,686)
Cash paid to and on behalf of employees		(1,552)	(1,543)
Other operating costs		(404)	(502)
Net cash inflow/(outflow) from operating activities	13	(482)	673
Investing Activities			
Interest received		1	1
Financing Activities			
Purchase of property, plant & equipment		(43)	(11)
Loan repayments		6	6
Taxation			
Corporation tax paid		–	–
Net cash inflow/(outflow) for the year	12	(518)	669

The notes on pages 27 to 37 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	Balances held in NLDF £000	Balances held at SCW £000	Total 2010-11 £000
Balance at 1 April	10,421	(5,754)	4,667
Changes in Taxpayers' Equity 2010-11			
Income from the National Lottery	11,632	–	11,632
Drawn down in year by Sport Wales	(8,250)	8,250	–
Investment returns	88	1	89
Other Operating Income	–	137	137
Recoveries of grants	–	15	15
Income/(expenditure) in year	5	(7,241)	(7,236)
Olympic Lottery Distribution Fund	(1,952)	–	(1,952)
Loss surplus on revaluation	(16)	–	(16)
Balance at 31 March	11,928	(4,592)	7,336

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Balances held in NLDF £000	Balances held at SCW £000	Total 2011-12 £000
Balance at 1 April	11,928	(4,592)	7,336
Changes in Taxpayers' Equity 2011-12			
Income from the National Lottery	13,598	–	13,598
Drawn down in year by Sport Wales	(11,400)	11,400	–
Investment returns	98	1	99
Other Operating Income	–	127	127
Recoveries of grants	–	22	22
Income/(expenditure) in year	(42)	(9,468)	(9,510)
Olympic Lottery Distribution Fund	(1,952)	–	(1,952)
Gain on revaluation	152	–	152
Balance at 31 March	12,382	(2,510)	9,872

The notes on pages 27 to 37 form part of these accounts.

Notes to the Accounts

1 Accounting policies

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention, modified by the valuation of Property, Plant and Equipment by reference to current costs, in accordance with the directions given by the Secretary of State for Culture, Olympics, Media and Sport with the consent of Treasury in accordance with Section 35 of the National Lottery etc Act 1993 (as amended). A copy of the accounts direction can be obtained by request in writing to Sports Council of Wales (Sport Wales), Sophia Gardens, Cardiff, CF11 9SW. Without limiting the information given, the accounts meet the requirements of the Companies Act 2006 and are prepared in accordance with IFRS issued by the International Accounting Standards Board so far as these requirements are appropriate.

Separate accounts have been prepared for the activities funded from grant-in-aid, in accordance with the directions issued by the Welsh Ministers. There is no requirement for this account to be consolidated with Sport Wales's accounts.

The accounts have been prepared on a going concern basis. Sport Wales is required to account for long term grant commitments which fall due for payment in subsequent accounting periods, which are funded by future lottery proceeds.

1.2 Income from the National Lottery Distribution Fund

The distributing activities of Sport Wales's Lottery function are funded by allotted proceeds from the National Lottery. These are held in a fund administered by the Department for Culture, Media and Sport, and are available to be drawn-down into Sport Wales's Lottery bank accounts when needed.

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Olympics, Media and Sport. However, the share of such balances attributable to Sport Wales is shown in the accounts at market value and, at the Statement of Financial Position date, has been certified by the Secretary of State for Culture, Olympics, Media and Sport as being available for distribution by Sport Wales in respect of current and future commitments.

The balance held at 31 March 2012 at the NLDF, is unaudited as the audit of the Fund is incomplete. Any adjustment arising from that audit will be reflected in the 2012/2013 accounts and is not expected to be material.

In February 2008 a statutory instrument (SI 2008 No. 255 The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) was passed which allowed for the transfer of up to £1,085m 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.

This comprises £410 million as originally envisaged when the Government decided to support London's Olympic bid in 2003, and a proposed further £675 million arising from the subsequent budget review.

Sport Wales was committed to contribute up to £3,196,000 in the original bid and this order allows for the transfer of up to a further £4,058,000.

The first transfer of funds took place on 2 February 2009 amounting to £488,118. Sport Wales made a further payment during 2010-11 totalling £1,952,000 followed by another payment of £1,952,000 during 2011-12.

1.3 Property, Plant and Equipment

Sport Wales capitalise any property, plant and equipment over £500 used exclusively in the administration of the Lottery function and the equipment is included in the statement of financial position at historic cost less a provision for depreciation. In the opinion of Sport Wales, there is no material difference between the historic and current cost net book value of these assets.

1.4 Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment having regard to their estimated useful lives and anticipated residual values. The average asset lives used for this purpose are as follows:

Equipment – Computers	3 years
Equipment – Other	3 – 10 years

The policy of Sport Wales is to depreciate assets from the month following acquisition.

1.5 Pension Costs

Contributions to the pension schemes are charged to the Statement of Comprehensive Net Income so as to spread the cost of pensions over employees' working lives with Sport Wales. The application of the requirements of IAS 19 does not apply to the Lottery accounts as contracts of employment are held by Sports Wales.

1.6 Allocation of Costs

The apportionment of staffing and indirect costs transferred from Sport Wales to the Lottery account is calculated on the following basis:

1.6.1 Staff costs are recharged to Lottery according to the time they spend in carrying out Lottery activities. Where staff are identified as being employed 100 per cent for Lottery purposes their costs are recharged in full. Where staff work, or provide a service to both lottery and exchequer schemes, their costs are recharged in proportion to the amount of time spent on Lottery work.

1.6.2 Non staff costs are recharged either on the basis of the floor area occupied by Lottery staff, or where no floor area data is available or considered appropriate, costs are apportioned based upon total Lottery staff time expressed as a percentage of total staff time.

1.6.3 Council Members remuneration and travelling expenses are apportioned on a 50/50 basis.

1.7 Policy for Grant Commitments

Hard commitments are analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and the National Lottery continues to operate. A hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by Sport Wales and accepted in writing by the recipient. A firm offer will be made if there is a reasonable expectation that conditions attached to the offer will be met. Hard commitments are charged to the Statement of Comprehensive Net Income in the year that the grant recipient accepts the grant offer.

A soft commitment occurs when there is agreement by one of the decision making officers or panels to fund a grant scheme and a formal offer is made to the applicant body. Whilst a formal offer has been made to the applicant body, the offer and associated conditions have yet to be accepted. Since soft commitments are still to be accepted by grant recipients and do not represent a firm commitment no charge is made to the Statement of Comprehensive Net Income. Instead soft commitments are disclosed by way of note as potential liabilities and are transferred to hard commitments (and therefore charge to the SCNI) when the offers are accepted by the recipient.

1.8 Other income

Relates to income generated from UK Sport for the use of Sport Wales's assets and facilities.

1.9 Use of Estimates and Judgements

The preparation of the financial statements requires Sport Wales to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about significant areas of estimation and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 1.6.1 Staff costs are recharged to Lottery according to the time they spend in carrying out Lottery activities, see note 1.6.1 for further details.

1.10 Financial Instruments

1.10.1 Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.10.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.10.3 Trade payables

Trade payables are non interest-bearing and are stated at their nominal value.

1.10.4 Borrowings

Non-Interest-bearing borrowings

Non-interest-bearing borrowings receivable are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, non interest-bearing borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the income statement over the period of the borrowings at an effective interest rate of 3.5 per cent.

1.11 Segmental reporting

Sport Wales's management reporting for Lottery provides information relating to the distribution of Lottery grants. Sport Wales is of the opinion that the disclosure requirements of IFRS 8 Operating Segments, is not applicable to these Lottery Distribution Accounts.

2 Revenue grants paid in the year

Programme	2011-12 £000	2010-11 £000
Elite Cymru	447	362
Coach Cymru	2,360	1,580
Dragon Sport	–	1,086
Disability Sport	630	492
Community Chest	1,576	1,142
Talent Cymru	470	356
	<u>5,483</u>	<u>5,018</u>

Community Chest includes an amount of £67,591 (2010-11 £65,707) paid in respect of administration costs of local authorities who administer the grant scheme at local level.

3 Hard commitments

	Capital £000	Revenue £000	2011-12 Total £000	2010-11 Total £000
Hard commitments as at 1 April	2,993	2,600	5,593	6,129
Hard commitments met in the year	(4,831)	(5,483)	(10,314)	(5,936)
Hard commitments not taken up	(39)	–	(39)	(342)
Hard commitments made in the year	2,276	5,371	7,647	4,879
Soft commitments transferred to hard commitments	103	7	110	863
Grant commitments made in year	2,379	5,378	7,757	5,742
Movement in year	(2,491)	(105)	(2,596)	(536)
Hard commitments as at 31 March	502	2,495	2,997	5,593
Analysed as:				
Hard commitments due within one year	415	2,495	2,910	5,535
Hard commitments due after one year	87	–	87	58
			2011-12 £000	2010-11 £000
Amounts due during 2011-12 Financial Year			–	5,535
Amounts due during 2012-13 Financial Year			2,910	42
Amounts due during 2013-14 Financial Year			21	15
Amounts due during 2014-15 Financial Year			66	1
Amounts due during 2015-16 Financial Year			–	–
Amounts due after 5 years			–	–
Hard commitments carried forward as at 31 March			2,997	5,593
			2011-12 £000	2010-11 £000
Intra-government balances				
Balances with other central government bodies			2	2
Balance with local authorities			186	2,803
			188	2,805
Balance with bodies external to government			2,809	2,788
			2,997	5,593

4 Soft commitments

	2011-12 £000	2010-11 £000
Soft commitments at 1 April	112	1,143
Soft commitments transferred to hard commitments	(110)	(863)
Soft commitments not taken up	(2)	(231)
Soft commitments made	1,995	63
Soft commitments at 31 March	<u>1,995</u>	<u>112</u>

5 Capital commitments

At 31 March 2012, the Lottery account had no contractual commitments for capital and Property, Plant and Equipment (2010-11 Nil).

6 Taxation payable

	2011-12 £000	2010-11 £000
Tax payable on interest received at 21 per cent (2010-11 21 per cent)	<u>-</u>	<u>-</u>

7 Staff numbers and related costs

The staff costs figure shown in the Net Expenditure Account is an apportionment of costs incurred by Sport Wales and is arrived at as follows:

	Average No. Of full time equivalent staff Involved		2011-12 £000	2010-11 £000
	2011-12	2010-11		
Gross salary costs				
Chair L McAllister (see note below *)			18	18
Chief Executive	0.25	0.25	19	19
Other Staff	28.95	34.47	1,395	1,510
			<u>1,432</u>	<u>1,547</u>
Salaries and Wages			1,165	1,231
Social Security costs			66	83
Other Pension costs			201	233
			<u>1,432</u>	<u>1,547</u>

Redundancy costs for the year have been met in full by and reflected in the accounts for the Sports Council for Wales. There are no redundancy costs included in these financial statements.

Staff costs are further analysed as follows:

	2011-12 £000	2010-11 £000
Administration	1,065	1,148
Sports Science Support to Athletes	367	399
	<u>1,432</u>	<u>1,547</u>

* The average number of staff employed are all permanent contract staff. The Chair is appointed to work 2 days per week and spends 50 per cent of that time on lottery activities

Compensation schemes – exit packages

Exit package cost band	Number of redundancies	
	2011-12	2010-11
< £10,000	0	0
£10,000 - £25,000	6	2
£25,000 - £50,000	10	1
£50,000 - £100,000	7	4
£100,000 - £150,000	1	0
Total number of exit packages	24	7
Total resource cost (£)	1,100,000	335,000

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where Sport Wales has agreed early retirements, the additional costs are met by Sport Wales and not by the Civil Service pension scheme.

8 Other operating costs and other income

COSTS	2011-12 £000	2010-11 £000
Direct Costs	105	42
Accommodation	35	42
Consultants	–	1
Travel and Subsistence and Hospitality	–	–
Audit Fee	18	17
Recharges for Sports Wales Services	178	166
	336	268
INCOME	2011-12 £000	2010-11 £000
UK Sport Grant	127	137
Other	–	–
	127	137

9 Property, plant and equipment

	Equipment £000	Assets under construction £000	Total £000
Cost or Valuation at 1 April 2010	80	58	138
Assets under construction now complete	58	(58)	–
Additions	11	–	11
Disposals	–	–	–
At 31 March 2011	149	–	149
Depreciation at 1 April 2010	(25)	–	(25)
Charge for the year	(21)	–	(21)
Disposals	–	–	–
At 31 March 2011	(46)	–	(46)
Net Book Value at 31 March 2011	103	–	103
Net Book Value at 31 March 2010	55	58	113

	Equipment £000	Total £000
Cost or Valuation at 1 April 2011	149	149
Additions	43	43
Disposals	–	–
At 31 March 2012	192	192
Depreciation at 1 April 2011	(46)	(46)
Charge for the year	(24)	(24)
Disposals	–	–
At 31 March 2012	(70)	(70)
Net Book Value at 31 March 2012	122	122
Net Book Value at 31 March 2011	103	103

10 Trade receivables and other current assets

	31 March 2012 £000	31 March 2011 £000
Due within 1 Year		
Other receivables and prepayments	<u>94</u>	<u>99</u>
Due within more than 1 Year		
Other receivables and prepayments	<u>31</u>	<u>38</u>
Total	<u>125</u>	<u>137</u>

Included in other receivables and prepayments is £38,000 (2010-11 £45,000) in respect of an interest free capital loan made over a 10 year period.

	31 March 2012 £000	31 March 2011 £000
Intra-government balances		
Balances with other central government bodies	–	–
Balance with local authorities	<u>88</u>	<u>92</u>
	88	92
Balance with bodies external to government	<u>38</u>	<u>45</u>
	126	137

Grants repayable had arisen due to a number of reasons, including under spends against amounts awarded and failures by recipients to comply in full with the conditions of grant

11 Trade payables and other current liabilities

	31 March 2012 £000	31 March 2011 £000
Sport Wales	184	188
Accruals	<u>24</u>	<u>17</u>
	208	205
Intra-government balances		
Balances with other central government bodies	184	188
Balance with local authorities	<u>–</u>	<u>–</u>
	184	188
Balance with bodies external to government	<u>24</u>	<u>17</u>
	208	205

12 Analysis of changes in cash and cash equivalents

	1 April 2011 £000	Cash Flow £000	31 March 2012 £000
Cash and cash equivalents	966	(518)	448

13 Reconciliation of (decrease)/increase in lottery funds before taxation to net cash (outflow)/inflow from operating activities

	2011-12 £000	2010-11 £000
Net income/(expenditure) before interest and taxation	2,320	2,668
(Increase)/Decrease in other receivables	5	50
Increase/(Decrease) in other payables	(2,377)	(559)
(Increase) in NLDF	(454)	(1,507)
Depreciation of property, plant & equipment	24	21
Net cash (outflow)/inflow from operating activities	(482)	673

14 Reconciliation of net cash flow to movements in net funds

	2011-12 £000	2010-11 £000
(Decrease)/Increase in cash and cash equivalents	(518)	669
Movement in liquid resources – NLDF balance	454	1,507
(Decrease)/Increase in net funds	(64)	2,176
Net funds brought forward	12,894	10,718
Net funds carried forward	12,830	12,894

15 Contingent liabilities

There were no contingent liabilities at 31 March 2011 and 31 March 2012

16 Financial instruments

International Financial Reporting Standard 7 : Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks Sport Wales's Lottery function faces in undertaking its role.

Liquidity Risks

In 2011-12, £13,598,000 or 98.2 per cent of income derived from the National Lottery (2010-11: £11,632,000 or 98.0 per cent). Of the remaining income, £98,000 or 0.7 per cent, derived from investment returns from the balance held with the National Lottery Distribution Fund, (2010-11: £88,000 or 0.7 per cent), and £149,000 or 1.1 per cent from bank interest and sundry income (2010-11: £152,000 or 1.3 per cent). Sport Wales does not consider that its Lottery fund is exposed to any significant liquidity risk, and are satisfied that the balance within the NLDF and projected future Lottery proceeds are sufficient to meet its hard commitments.

Interest Rate Risks

The financial assets of the Lottery are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. Sport Wales has no control over the investment of Funds in the National Lottery Distribution Fund. Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in an instant access variable rate bank account which on average carried an interest rate of 0.50 per cent (2010-11 0.50 per cent) in the year. The cash balance at the year-end was £448,000 (2010-11: £966,000). Sport Wales considers that its Lottery function is not exposed to significant interest rate risks. Included in receivables (note 10) is £38,000 (2010-11 £45,000) which relates to an interest free loan. If interest had been charged at a treasury rate of 3.5 per cent then £1,575 (2010-11 3.5 per cent £1,808) would have been charged as interest in these accounts.

Foreign Currency Risk

The Lottery function of Sport Wales is not exposed to any foreign exchange risks.

17 Related party transactions

The Lottery operations of Sport Wales are funded from the National Lottery Fund through the Department for Culture, Media and Sport. The Department is regarded as a related party. In addition, the Lottery paid capital grants during the year to a number of organisations in which members and senior staff declared an interest and which are considered material.

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
A Hamilton <i>Head of People & Programme Development</i>	Welsh Netball Association	106	Member	28
	Welsh Hockey Union	101	Son is a member	–
A Williams <i>Manager Plas Menai Watersports Centre</i>	Welsh Yachting Association	119	Member and daughters coach/one a physiotherapist	101
	Welsh Canoeing Association	104	Member	70
	Port Dinorwic Sailing Club	5	Member as well as Wife and Daughter	–
M Frost <i>Corporate Director</i>	Cricket Board of Wales	100	Previous Director	50
	Cardiff Council	102	Immediate family workplace	2
S Powell <i>Corporate Director</i>	Welsh Hockey Union	101	Member	–
	Surf Lifesaving Assoc. of Wales	1	Brother is a Member	–
R Harris <i>Council Member</i>	Ceredigion County Council	72	Elected Member	–
Prof L McAllister <i>Chair</i>	Football Association of Wales Football in the Community	66	Board Director and trustee of Football Association of Wales Football in the Community	–
	UK Sport	(127)	Board Member	–
Dr H Jones <i>Chief Executive</i>	Sports Aid Cymru Wales	15	Playing Member	–

Member's Panel	Body	Grant Payment/ (Income) in Year £000	Nature of link	Hard Grant Commitments not yet met
S Thomas <i>Corporate Director</i>	Football Association of Wales Football in the Community	66	Partner is Trustee	–
J Bayliss <i>Council Member</i>	University of Wales, Swansea	2	Pro Vice Chancellor (Retired)	–
	Cardiff University	8	Daughter's workplace	–
	University Union of Cardiff	1	Links with Daughter's workplace	–
A Morgan <i>Council Member</i>	Golf Union of Wales	125	Board Member	67
P Thorburn <i>Council Member</i>	Welsh Cycling Union	273	Daughter Cycles for WCU	–
	Welsh Canoeing Association	104	Chair of Steering Group for World Cup 2012	70
A Watkin <i>Council Member</i>	Wrexham CBC	34	Previously Chief Officer	120
	Tennis Wales	14	Director	–
	Coleg Llandrillo	3	Wife's workplace	–
D L Roberts <i>Council Member</i>	Welsh Gymnastics	314	Partner is Chief Executive	422

Remuneration of Senior Managers and Council Members

Senior Managers and Council Members are considered to be the Directors and their remuneration is disclosed within the Remuneration Reports on pages 11 to 16.

18 Pensions

Pension costs for Sport Wales for 2011-12 amounted to £1,110,000 (2010-11 £1,190,000) representing 21.5 per cent (2010-11 21.9 per cent) of pensionable pay and advanced contributions in respect of early retirement costs. Payments of £133,000 were made in respect of early retirement costs following the redundancy of staff. From 2012-13, the rate will be 21.5 per cent. Contributions to the Fund have been determined by an independent qualified actuary. The latest triennial valuation of the Fund was carried out as at 31 March 2010.

Sport Wales expects to contribute £1,020,000 to the fund in 2012-13. In addition to this 'strain on fund' contributions may be required.

Pension costs are apportioned to Lottery on the same basis as the staff costs allocation per note 1.6.1.

As the employer, Sport Wales's share of the net pension assets/liabilities, together with its accounting for pension funds in line with International Accounting Standard (IAS) 19 (Employee Benefits) have been recognised in the consolidated financial statements for the Sports Council for Wales and Sports Council for Wales Trust. No apportionment of the net pension assets/liabilities has been made to the Lottery accounts. Full disclosure is set out in the Sport Wales consolidated financial statements which are publicly available.

19 Events after the reporting period

There are no events since the year end date. The financial statements were authorised for issue on the date they were certified by the Comptroller and Auditor General.

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