

Olympic Lottery Distribution Fund Account

Annual Report and Accounts for the period 1 April 2014 to 30 January 2015

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

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Strategic Report

Why the Olympic Lottery Distribution Fund (OLDF) was needed

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 Olympic and Paralympic Games. The first receipt of monies into the OLDF was on 2 August 2005.

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

The fund remained open after the dissolution of the OLD in 2013 to receive the Lottery's share of the receipts from the sale of the Olympic Village. Following the dissolution of the Olympic Delivery Authority (ODA), subject to an Order made by the Secretary of State under section 28 of the Horserace Betting and Olympic Lottery Act 2004 and to an affirmative resolution in both Houses of Parliament, the fund was closed on 30 January 2015. Prior to the closure of the OLDF the remaining balances were transferred to the National Lottery Distribution Fund (NLDF) by Statutory Instrument to allow distributors to access these funds.

How the money was used

Monies drawn down from the fund by the OLD were used to make grants or loans under section 30 of the 2004 Act. The OLD was dissolved with effect from 01 April 2013. The distributor's main grant recipient was the Olympic Delivery Authority (ODA), the former body responsible for delivering the venues and supporting infrastructure for the London 2012 Olympic and Paralympic Games and for the retrofit and sale of the Athletes' Village for residential use after the Games.

Financial Commentary

This is the tenth and final set of accounts of the OLDF. These accounts are for the period ending 30 January 2015. The primary financial statements and associated notes for the OLDF are set out in these accounts. The OLDF was dissolved on 30 January 2015. Investment income and the Lottery's share of receipts from the sale of the Olympic Village (£69.2m) were the only monies received by the OLDF in 2014-15.

Expenses incurred in operating the fund were, 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. Upon closure, the remaining balances of the fund were transferred to the NLDF.

Governance of the Fund

The Statement of Financial Requirements, issued by the then Secretary of State for Culture, Media and Sport to the OLD established a financial framework within which their lottery distribution activities were to be conducted. The Accounting Officer of the OLDF sought annual assurances from the OLD's Accounting Officer that adequate financial management systems and controls for the efficient, effective and equitable distribution of Lottery monies were in place, in particular, that the Accounting Officer of OLD was satisfied that the body has: complied with its current Lottery financial directions; put adequate

internal and external audit arrangements in place; established adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud and for minimising losses of Lottery grant, and that it maintains risk assessment and control procedures and risk registers.

For 2014-15 as in previous years, the fund was maintained under the control and management of the Secretary of State for Culture, Media and Sport. Monies not immediately required for distribution were invested by CRND, in accordance with Investment Directions issued by HM Treasury (under section 32 of the National Lottery etc. Act 1993).

In managing the OLDF, the Department worked closely with the Gambling Commission (GC) which regulates the lottery and ensures, among other things, that the operator made the correct payments to the OLDF. Within the framework of regulation set by the Government, the role of the GC is to monitor and report on the performance of Camelot (the current operator) and to enforce the terms of its Section 5 licence. This includes ensuring that Camelot complies with licence terms relating to the banking, record keeping and security of monies received, as well as their remittance to the OLDF. The GC also selects the operator of the lottery. It does not handle any applications for lottery funds or distribute any lottery money. There were no funds received from Camelot in the 2014-15 period.

DCMS produced annual accounts for the OLDF, separately to those 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 Department worked with the Commissioners for the Reduction of the National Debt (CRND) whose role is to invest the funds held in the NLDF, in accordance with directions issued by HM Treasury. The investment strategy for the OLDF seeks to balance liquidity risks and interest rate risks over the life of the Olympic programme. The investment strategy for the fund was informed by the Department's review of the OLD's forward commitment profile. During the period of these accounts, the funds invested by CRND were wholly in demand deposits.

Liquidity Risks

Liquidity risk was the risk that OLDF would encounter difficulty raising liquid funds to meet commitments as they fall due. In 2014-15 the OLDF received all of its income from the ODA for the Lottery's share of the receipts from the sale of the Olympic Village and from returns accruing on funds held. As a result of the decision to hold all funds as cash instruments, there were considered to be no significant liquidity risks. There were no further commitments to be met upon closure of the fund.

Interest Rate Risks

Interest rate risk was the risk that the fair value of a financial instrument would fluctuate due to changes in market interest rates. The financial assets of the OLDF were invested with the CRND which managed its investments. The investments made by the CRND were made in accordance with directions made by HM Treasury. The average return on the investments in the financial period was 0.42%. The Department does not consider that the OLDF is exposed to any significant interest rate risks because of the nature of the assets held. No balances were held with CRND upon closure of the fund.

Foreign Currency Risks

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

Staffing and Organisation

The costs of the DCMS staff were charged to the OLDF in proportion to the amount of time staff spent on OLDF duties.

During the financial period, 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.

At the end of the period, the gender breakdown of females and males for DCMS employees was 51% and 49% respectively. The breakdown for DCMS Directors and above was 87% and 13% respectively.

Operating costs

Expenses incurred in operating the fund by DCMS and CRND were met from the fund and totalled £71k for the period. This includes the audit costs 2014-15, as detailed in note 5 to the accounts.

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.

The Olympic Lottery Distribution Fund Post Games time

The OLDF remained open after the dissolution of the OLD to receive the Lottery's share of the receipts from the sale of the Olympic Village from the former ODA. These funds were received in the 2014-15 year. The OLDF was wound up by Statutory Order on 30 January 2015. Prior to the closure of the OLDF the remaining balances were transferred to the National Lottery Distribution Fund (NLDF) by Statutory Instrument to allow distributors to access these funds.

Sustainability Report

DCMS is committed to supporting and promoting sustainable development. We endeavour to reduce our use of materials and energy use, minimise waste production and water use, procure sustainably and minimise our carbon footprint.

As the OLDF is managed and operated within DCMS, full disclosure regarding Sustainability Reporting can be found in the DCMS Annual Report and Accounts which will be available, when published, on the DCMS website at <http://www.culture.gov.uk>.

Important events which have occurred since the period end

These are shown in note 10 to the accounts.

Signed:

Sue Owen
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

11 March 2015

Directors' Report

Governance Structure

DCMS is responsible for the oversight of the National Lottery regime. Details of the governance arrangements are contained in the Governance Statement in this annual report.

Disclosure of senior staff salaries and production of organisation charts

As part of the Government's Transparency agenda, DCMS has published data on the remuneration of senior staff within their organisations as at 30 January 2015, as well as organisation charts which give senior staff structure and summary information for staff at junior levels. The DCMS Organogram can be found at:

<http://data.gov.uk/organogram/department-for-culture-media-and-sport>

with the supporting data tables found at:

<http://data.gov.uk/dataset/dcms-disclosure-of-senior-and-junior-salaries-and-production-of-organograms-sept-2011>

Directorships and other Significant Interests

Board members completed their annual declarations of interest. Board members are asked to declare any relevant interests in agenda items at the start of each Board meeting and absent themselves from those discussions. No directorships or other significant interests were held by Executive Board members, which may have conflicted with their management responsibilities.

Ministers' and Board Members' Remuneration

The details of Ministers' and Board Members' remuneration are set out in the remuneration report.

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.

The external Auditors were not engaged for any non-audit work undertaken.

Reporting of personal data related incidents

As the OLDF is managed and operated within DCMS, full disclosure can be found in the 2014-15 DCMS Annual Report and Accounts which will be available, when published, on the DCMS website at <http://www.culture.gov.uk>.

The Department holds very little personal data; its information risks have been identified and are mitigated in line with Cabinet Office requirements. The Department completed the Information Assurance Maturity Matrix in March 2014 and has raised awareness of information management within the Department through presentations and the issue of a security guide. This was timed to support the

rollout of the new government security classifications. The Department moved to a new IT service in December 2014 as part of the Cabinet Office Technology Transformation programme. The new network and emails system were subject to a comprehensive security assessment led by GCHQ and is compliant with the UK and EU law on data protection.

Signed:

11 March 2015

Sue Owen
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

Remuneration Report

REMUNERATION POLICY

Administration of the OLDF was undertaken on a part-time basis by a small number of officials in the Department for Culture, Media and Sport, whose costs were reimbursed by the OLDF. DCMS did not recharge the OLDF for the remuneration costs of departmental Ministers or the DCMS Board.

Management and control of the OLDF was 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 2014-15 which is subject to audit, and will be available on the DCMS website at www.culture.gov.uk. This report will cover the year ended 2014-15 and therefore will not be directly comparable to the OLDF period.

Signed:

11 March 2015

Sue Owen
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

Statement of Responsibilities of the Secretary of State, Accounting Officer and the Gambling 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 period-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 extended to the receipt of Lottery revenues from Camelot Group plc and their placement with the CRND. The Gambling Commission 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 was notified of amounts due to be paid to the OLDF by Camelot Group plc; this was overseen by the GC. 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 Gambling 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 2014 which has led him to be satisfied that the payments to the OLDF during the period to 30 January 2015 are complete and accurate in all material respects.

Signed:

11 March 2015

Sue Owen
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

OLDF Governance Statement 14-15

This Statement sets out the governance structures, risk management and internal control procedures that have operated within DCMS and consequently applied to the OLDF during the financial year 2013-14 and up until it was wound up on 30 January 2015 and accords with HM Treasury guidance.

How we have managed DCMS

In order to manage the Department efficiently, I am supported by formal governance structures with agreed remits. These governance structures comprise the Departmental Board, Departmental Sub-Board and Executive Board, various Committees (see below) and a Programme Board for the Broadband programme, designed to maintain clarity and accountability, delegate authority to the relevant level and to allow me and other Board and Committee members to make decisions, monitor performance and manage

Governance structure

The Department is responsible for the oversight of the National Lottery regime. The activities of the National Lottery licence holder are regulated by the Gambling Commission (formerly the National Lottery Commission and which merged on 1 October 2013 with the Gambling Commission). The Gambling Commission is the independent regulator, responsible for, among other things, monitoring and reporting on the performance of the licence holder and enforcing the terms of its Section 5 licence. The Department exercises its oversight of the National Lottery regime through controls on the Gambling Commission.

The amounts raised through the National Lottery for Good Causes are paid into the National Lottery Distribution Fund (NLDF) which, together with the residual Olympic Lottery Distribution Fund (OLDF), is managed and run by staff employed by DCMS. I held separate Accounting Officer responsibility for these Funds. However, their management followed the normal processes for DCMS, and consequently the governance policies of the DCMS operated in the same way with regard to both the NLDF and OLDF. Lottery monies are independent of Government and are distributed by independent Lottery Distributors. DCMS implements appropriate controls over Lottery Distributors, including Financial Directions, to ensure propriety, regularity and accountability in their handling of Lottery monies drawn down. DCMS also conducts annually an assurance review of the existence within, and satisfactory application by, Lottery Distributors of key systems of internal control.

DCMS enhanced its Departmental Board in July 2014, with the introduction of a Departmental Sub-Board, comprising Non-Executive Board Members, the Permanent Secretary, the Director General and Directors. The Departmental Board is chaired by the Secretary of State and is composed of Ministers, Senior Executives and Non-Executive Board Members (NEBMs). Committees of the Departmental Board include:

- **Audit and Risk Committee:** reports to and advises the Departmental Board on governance, risk management and control; comprises a NEBM as chair, plus one other NEBM and two other independent members.
- **Pay Committee:** advises on decisions on senior remuneration and reward.
- **Departmental Sub-Board:** supports the Departmental Board through performance scrutiny, and advice and challenge on operational and delivery issues (established September 2014)

The Board was 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. The Executive Board regularly reviews budgets and management internally and across the group. In addition, the sub-committees of the Executive Board are:
 - **Corporate Committee** – manages DCMS resources and infrastructure
 - **Delivery and Resourcing Committee** – provides project/programme assurance and allocates the flexible resourcing pool
 - **Investment Committee** – approves and monitors major capital projects (for the Department and its Arm's Length Bodies {ALBs}). The Investment Committee is supported by the Borrowing Committee
 - **BDUK Programme Board** – supports BDUK to deliver its objectives
 - **ALB Governance Board** – provides assurance that risks are being managed across the department's ALBs (established 3 March 2014) including Lottery Distributors and the Gambling Commission, and takes account of new museum freedoms.
 - **Senior People Development Committee** – manages performance and talent of Senior Civil Servants.

Departmental Board and Committee attendance for financial period 1 April 2014 to 30 January 2015

	Board/Committee members	Departmental Board	Audit & Risk Committee	Pay Committee	Departmental Sub-Board
Ministers	Rt. Hon. Sajid Javid	3/3			
	Ed Vaizey	3/3			
	Helen Grant	3/3			
	Rt Hon Nicky Morgan	1/2			
	Jo Swinson	1/1			
	Jenny Willott	1/2			
Non-Executive Board members/ independent members	Sir David Verey	3/3	3/3	1/1	2/2
	Dr Tracy Long	3/3	3/3	1/1	2/2
	Ajay Chowdhury	3/3			2/2
	Ruby McGregor-Smith	3/3			2/2
	Michael Higgin		3/3		
	Chris Walton		2/3		
Executive	Sue Owen	3/3	3/3	1/1	2/2
	Sarah Healey	3/3	3/3		2/2
	Chris Townsend	3/3			2/2
	Samantha Foley	3/3	3/3		2/2
	Clare Pillman				1/2
	Rita French				0/1
	Andrea Young				2/2
	Alison Pritchard				1/1
	Helene Reardon-Bond				1/1

Note: late but unavoidable changes to some meeting dates meant that some members were unable to attend meetings due to previous commitments.

During 2014-15 the boards and committees were effective in delivering policy, projects/programmes and operational priorities. The Department strengthened its governance arrangements in the last 18 months in response to an internal audit review of DCMS governance arrangements in August and September 2013 that found that they provided reasonable assurance that the Department's operating environment is effective, but lacks formal process and some corporate discipline and administrative rigour. A further internal audit of risk, with performance reporting, started in February 2015. A further refresh of our governance arrangements is currently underway to reflect operational changes and will strengthen the Department's focus on Delivery, People and Finance.

The Departmental Board met four times between April 2014 and 30 January 2015 and provided advice and challenge to the Department and its Ministers on strategic and operational issues. It focused its attention on the Department's vision and strategic priorities, broadband, ALB accountability and risk assessment, Departmental implications of the Scottish referendum, the strategic property agenda as well as Departmental performance and finance.

Sir David Verey, the Lead Non-Executive Board Member (NEBM), carried out the annual review of the Board's effectiveness in April and May 2014, with independent input from Dame Sue Street. It noted that DCMS has been through a period of considerable change, including to the membership of the Departmental Board with a change of Permanent Secretary, new Ministers and a new Secretary of State and Minister for Women. This has provided the opportunity to build a new team and refocus on providing support and challenge to the department on future direction, change, performance, strategic risk management and succession planning.

Notable improvements have been made to take forward issues from the last annual Board Effectiveness Evaluation; including content of the meetings; quality of information provided to the Board and strengthened secretariat support. All of this has improved the effectiveness of the meetings and the engagement of Board members in the meetings. There is more to do in the coming year to clarify the Board's priorities, and further refine the management information and progress reporting against key performance indicators. With over 50% of the Board membership having changed over the course of the last year, another priority will be making time for Board members to spend time together to ensure that the team continues to be effective, operating within a framework with clear priorities.

The NEBMs have worked in various areas of the Department to share their expertise, including ALB governance, risk, women and equality, recruitment of senior staff and public appointees, broadband, arts, DCMS's property portfolio and the flexible resourcing model. Systematic engagement of NEBMs across the business outside of formal Board meetings was a priority for 2014/15. In addition to their invaluable contribution to the Department's governance arrangements, our NEBMs shared their considerable skills and experience on a wide range of topics including broadband, triennial review of the British Film Institute, public appointments, interviewing for a new Director, shared services and flexible resourcing, as well as working with Cabinet Office on cross Government governance, management information and risk management. And of course, Ruby McGregor-Smith provides invaluable support for the Government Equalities Office (GE) in her role as chair of the Women's Business Council.

The Departmental Board has been supported in its work by the Audit and Risk Committee, the Senior Pay Committee and the Departmental sub Board.

The Audit and Risk Committee (ARC) met three times between April 2014 and 30 January 2015. 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 Broadband programme, national lottery assurance review, ALB governance and risk review, and legal risk reporting,

Additionally, the ARC provided substantial advice and challenge to the Department in the preparation of the DCMS consolidated Annual Report & Accounts, the OLDF and the NLDF Annual Report & Accounts for 2013-14, as well as considering external and internal audit findings and opinions for 2012-13 and 2013-14, NAO's management letters, internal and external Audit Strategy/Plans. The ARC also provided regular oversight of corporate resilience including the improvement programme, people resourcing, compliance with Government management information requirements, embedding good Government debt management, and information assurance and system security.

In discharging her responsibility, the ARC Chair meets regularly with the Accounting Officer, Director General, Finance Director, members of the Executive Board, Internal Audit and the NAO, and holds strategic risk workshops with senior management.

Appointment of head of the Department and the DCMS Board

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

Compliance with the Corporate Governance Code

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

- The Pay Committee, which comprises the Permanent Secretary and two NEBMs, fulfils the role of the Nominations and Governance Committee, focusing primarily so far on scrutinising the incentive structure, and is supported by the Senior People Development Committee.
- The Head of Internal Audit attends the Audit and Risk Committee. The Chair of the Audit and Risk Committee regularly reports to the Board on key issues and the work of the Committee.

Quality of data received by the Board

The Departmental Board received regular updates on departmental performance in addition to corporate information covering finance, human resources and correspondence. The information provided to the Board was sourced from departmental performance reports and the Integra and Oracle databases. Work continues to ensure that data going to the Board are quality assured by the relevant committee or member of the Executive Board. DCMS receives a considerable number of data requests from the Cabinet Office and HM Treasury as well as other Government Departments, and following a comprehensive data audit is focusing on improving the quality and coverage of critical returns, in particular the Quarterly Departmental Summary (QDS), and on providing proportionate responses to other requests of a more peripheral nature to the DCMS business.

Internal Controls, Risk Management and Assurance

Scope of responsibility

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.

The Department completed its Departmental Improvement Programme, improving DCMS' strategic focus, rebalancing and flexibly deploying existing resources in accordance with priorities and improving governance and performance reporting arrangements. When considering the Department's control systems and risk management I have taken into account the impact of these major changes.

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.

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 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 from 1 April 2014 to 30 January 2015, and accords with Treasury guidance.

Managing the risk of fraud in the DCMS

The Department's policy towards fraud, malpractice and corruption is one of zero tolerance, whether by the Department itself or in the OLDF and the NLDF for which it is responsible. The Department's Fraud Policy which sets out the policy in more detail and the Department's Fraud Response Plan, which sets out the arrangements for reporting and responding to fraud, have both been updated as part of a new Action Plan, which the Department has developed, to address fraud. There were no instances of reported fraud in the period 01 April 2014 to 30 January 2015 in DCMS, the OLDF and the NLDF. The main emphasis of the Action Plan is on keeping staff alert to risks. To facilitate this process DCMS has a Fraud, Error and Debt Champion, supported by an Alerts System Co-ordinator. They keep up with and disseminate good practice across DCMS, including lessons arising from fraud investigations, and inform the National Fraud Intelligence Bureau of frauds.

Capacity to handle risk

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

Within the core Department, risk is managed actively and risk management is embedded into all Departmental processes. The Department's risk framework identifies risk management as a key role of the Board, the Executive Board and its sub-committees. Policy and guidance are available to staff on the intranet and risk management master-classes have been provided. The Corporate Committee has overall responsibility for the risk management framework.

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

- At the Local level, risk is managed and risk registers maintained by policy and operational teams and by project and programme teams across the Department.
- At the Committee level risk is managed by the Corporate Committee. The Corporate Committee maintains its own risk register and manages red rated operational risks within the corporate area. The Investment Committee considers the financial implications of and risks inherent in individual large DCMS and ALB capital projects. Senior Responsible Officers and project/programme boards monitor major programmes such as the Change Programme and Broadband delivery, as well as ALB risk.
- Risks escalated by the Corporate and Investment Committees, and Department-wide operational, delivery and strategic risks are managed by the Executive Board, which also considers strategic risk at workshops facilitated by the Chair of the Audit and Risk Committee.

In addition, while responsibility for managing risk remains with ALBs, the Department has a system of regularly reviewing known ALB risks. The outputs of these reviews were discussed by the Departmental Board, and are used to set the level of Departmental engagement with individual ALBs.

An Internal Audit review of the Department's risk management systems carried out in March 2013 found that they provided reasonable assurance. It concluded that the Department understood and was managing key business risks for business as usual and programme activities. However, differing approaches to risk management methodology showed there is not universal compliance with the agreed risk management framework or single risk severity scoring method, and that it needed to develop a more structured and consistent approach to monitoring and comparing risks in these areas.

To address the issues identified by Internal Audit, the escalation process from local level/committee to the Executive Board was formalised, providing greater clarity on the type of risks to escalate and when. This escalation process will complement the existing risk management framework and link with the ALB risk management process, providing consistent risk management across the Department.

The risk and control framework

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

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.

In line with the scope of my responsibility, the Department has agreements with The Royal Parks and all directly funded ALBs setting out the Department's expectations in return for the public funds supplied, and associated financial arrangements or accountability lines. Lottery Distributors and Regulators have similar arrangements relating to their own circumstances.

Assurance reporting exercises supplement the Department's risk management process. Senior managers and Directors are requested to report 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. Internal Audit are auditing the end of year responses and will report later in the year.

The end of year assurance exercise for 2014-15 will not be completed before these accounts are laid but the Government Internal Audit Agency's work to date has not identified any significant control failings. For the year ended 31 March 2014, as a consequence of their work, GIAA gave substantial assurance on the adequacy and effectiveness of the system of internal control over the course of the year.

Models Statement of Assurance

I am satisfied that quality assurance of the models which are business critical to DCMS is of appropriate design and has been conducted according to professional standards. All models are professionally managed under adequate systems of supervision and control and, over the past year, have been used only for purposes related to those for which they were designed. As a consequence, I conclude that the Department's business critical models pose low business risks.

Review of effectiveness

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 Departmental 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.

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

Internal Audit Annual Report

The Government Internal Audit Agency (GIAA) operates to the Public Sector Internal Audit Standards. GIAA discusses its programme of assurance work with the Department to focus it most efficiently on key Departmental risks. GIAA 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 GIAA but is a management responsibility. For the year ended 31 March 2014, as a consequence of their work, GIAA gave substantial assurance on the adequacy and effectiveness of the system of internal control over the course of the year. The audit report for 2014-15 will not be completed before these accounts are laid but their work to date has not identified any significant control failings.

Signed:

11 March 2015

Sue Owen
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Olympic Lottery Distribution Fund for the period ended 30 January 2015 under the Horserace Betting and Olympic Lottery Act 2004. The financial statements comprise the Statements of Comprehensive Net Expenditure, Changes in Amount Held for Distributing Body, Financial Position, Cash Flow and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Olympic Lottery Distribution Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Olympic Lottery Distribution Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 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 regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Olympic Lottery Distribution Fund's affairs as at 30 January 2015 and of its net expenditure for the period then ended; and
- the financial statements have been properly prepared in accordance with the Horserace Betting and Olympic Lottery Act 2004 and HM Treasury directions issued thereunder.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the disclosure in note 1.2 of the financial statements. The Olympic Lottery Distribution Fund (Winding Up) Order provided for the dissolution of the Olympic Lottery Distribution Fund and the transfer of assets to the National Lottery Distribution Fund on 30th January 2015. As such, the financial statements have been prepared on a basis other than going concern.

Opinion on other matters

In my opinion the information given in the Strategic Report and Directors' Report for the financial period 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 are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 16 March 2015

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

Statement of Comprehensive Net Expenditure for the period ended 30 January 2015

		2014-15 £000	2013-14 £000
<u>Income</u>	Note		
National Lottery	2	-	1,621
Income received from the Olympic Delivery Authority	3	69,200	1,820
Investment Income	4	289	386
Total Income		<u>69,489</u>	<u>3,827</u>
<u>Less: Operational Costs</u>			
Department for Culture, Media and Sport	5	34	44
Other Expenses	6	37	43
		<u>71</u>	<u>87</u>
Net Realised Income for Distribution		<u>69,418</u>	<u>3,740</u>
Amounts authorised for payment to the National Lottery Distribution Fund		(148,671)	-
Increase/(decrease) in Amount Held for the Distributing Body		<u>(79,253)</u>	<u>3,740</u>
Other comprehensive income/(expenditure)		-	-
Total comprehensive income/(expenditure)		<u>(79,253)</u>	<u>3,740</u>

Statement of Changes in Amount Held for the Distributing Body for the period ended 30 January 2015

	2014-15 £000	2013-14 £000
Amount held at 1 April 2014	79,253	75,513
Total comprehensive income/(expenditure)	(79,253)	3,740
Amount held at 30 January 2015	<u>-</u>	<u>79,253</u>

These accounts are not prepared on a going concern basis and none of the activities are continuing. A direct comparison is unable to be made to 2013-14 balances due to the differing length of the period captured in these accounts.

There is no other comprehensive income.

The notes on pages 21 to 24 form an integral part of these accounts.

Statement of Financial Position as at 30 January 2015

	Note	2014-15 £000	2013-14 £000
<u>Current Assets</u>			
Investments held by CRND at fair value	7	-	79,297
Cash at Bank and in Hand		-	-
Total current assets		-	79,297
<u>Current liabilities</u>			
Payables: Amounts falling due within one year	7	-	(44)
Total assets less liabilities	7	-	79,253
<u>Represented by:</u>			
Statement of comprehensive net expenditure:			
Amounts held for the Distributing Body	7	-	79,253

A direct comparison is unable to be made to 2013-14 balances due to the differing length of the period captured in these accounts.

The notes on pages 21 to 24 form an integral part of these accounts.

Signed:

11 March 2015

Sue Owen
Permanent Secretary and Accounting Officer,
Department for Culture, Media and Sport

Statement of Cash Flows for the period Ended 30 January 2015

		2014-15	2013-14
<u>Cash flows from Operating Activities</u>	Note	£000	£000
Cash received from Lottery operator		-	1,658
Cash received from Olympic Delivery Authority		69,200	1,820
Transfer from NLDF		-	-
Cash paid for operating expenses		(115)	(335)
Cash paid to NLDF		(148,671)	-
Net cash inflow/(outflow) from operating activities	8	<u>(79,586)</u>	<u>3,143</u>
 <u>Cash flows from investing activities</u>			
Cash paid to CRND for Investment		(69,085)	(3,143)
Cash received from CRND for distribution		148,671	-
Net cash inflow/(outflow) from investing activities		<u>79,586</u>	<u>(3,143)</u>
Net increase/decrease in cash		<u>-</u>	<u>-</u>

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

A direct comparison is unable to be made to 2013-14 balances due to the differing length of the period captured in these accounts.

The notes on pages 21 to 24 form an integral part of these accounts.

Notes to the Financial Statements

1 Statement of Accounting Policies

1.1 Basis of Accounting

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

The particular policies adopted by the fund are described below.

1.2 Basis of Preparation

The Fund was a time limited organisation due to the nature of its remit. The fund was dissolved on 30 January 2015, following the dissolution of the Olympic Delivery Authority (ODA), subject to an Order made by the Secretary of State under section 28 of the Horserace Betting and Olympic Lottery Act 2004 and to an affirmative resolution in both Houses of Parliament. The remaining funds were transferred to the National Lottery Distribution Fund (NLDF) upon closure to allow distributors to access these funds. After closure, residuary functions rest with the National Lottery Distribution Fund (NLDF).

These financial statements have therefore not been prepared on a going concern basis.

1.3 Accounting Convention

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

1.4 Functional and Presentational Currency

These accounts are presented in Pounds Sterling, the functional currency of the fund, and all values are rounded to the nearest thousand pounds (£000).

1.5 Nature of Account Balances

Balances held in the OLDF remained 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, was nil.

1.6 Recognition of Lottery Income

Following the end of the Olympics in 2012, Olympic lottery tickets were no longer sold, and thus there was no income from ticket sales in 2013-14 or 2014-15. The Lottery income in 2013-14 arose from unclaimed Lottery prizes. There was no such income in 2014-15.

Lottery prizes that remained unclaimed for 180 days after a draw, or closure of a scratch card game or interactive instant win game, were paid to the OLDF.

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

1.7 Investments

Investment income is recognised when it is receivable. Investments are available for sale financial assets.

Investments held by the CRND are valued in these accounts at fair value at 30 January 2015. These accounts only disclose the cash flows for the movement of cash between CRND OLDF and the lottery

distributors.

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

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

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

1.8 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.

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

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

1.9 Impact of New IFRS and Financial Reporting Manual Amendments

Certain IFRS have been issued or revised this year, but are not yet effective. These will not be applied in subsequent reporting periods as OLDF's financial statements have been prepared on a non-going concern basis and these are the final accounts OLDF will produce.

2 Income from Lottery Activities

	2014-15 £000	2013-14 £000
Primary Contribution	-	-
Unclaimed Prizes	-	1,620
Penalties on lost and stolen tickets	-	-
Income from Ancillary Activities and other items	-	1
	<u>-</u>	<u>1,621</u>
Transfer from National Lottery Distribution Fund	-	-
	<u>-</u>	<u>1,621</u>

3 Income received from the Olympic Delivery Authority

	2014-15 £000	2013-14 £000
Income received from Olympic Delivery Authority	<u>69,200</u>	<u>1,820</u>

4 Investment Income

	2014-15 £000	2013-14 £000
Interest received on investments	<u>289</u>	<u>386</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.

All investments in 2014-15 were held as Call Notice deposits. Therefore no profits/losses on sales of investments and no revaluation gains/losses were made during the period.

5 Operational Costs: Department for Culture, Media and Sport

	2014-15 £000	2013-14 £000
Admin Costs and Other Costs (including audit)	<u>34</u>	<u>44</u>
	<u>34</u>	<u>44</u>

Audit costs in 2014-15 were £11,000 (2013-14: £13,000)

In 2014-15, 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 accommodation costs per FTE. Similarly a share of the Central Service Costs incurred by DCMS has been charged on the basis of central costs per FTE.

6 Other expenses:

	2014-15 £000	2013-14 £000
Commissioners for the Reduction of the National Debt	<u>37</u>	<u>43</u>

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

7 Balance on Olympic Lottery Distribution Fund

	at 30 January 2015		at 31 March 2014	
	Cost	Fair Value	Cost	Fair Value
	£000	£000	£000	£000
Investments held by the CRND	-	-	79,297	79,297
Payables	-	-	(44)	(44)
Balance held	<u>-</u>	<u>-</u>	<u>79,253</u>	<u>79,253</u>
Payables: Intra- government balances	-	-	(44)	(44)

Under s32 of the National Lottery etc. Act 1993, all monies held by the CRND are regarded as "Investments by the Secretary of State". Investments represent call notice deposits that are demand deposits with the Debt Management Account and the National Loans Fund (NLF).

Funds held by CRND 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 funds are held in a revolving investment fund i.e. investment returns re-invested directly into the fund. For further details on the investing activities of CRND, refer to the OLDF Investment Account published by CRND.

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

	2014-15	2013-14
	£000	£000
Increase/(decrease) in amounts held for distributing body	(79,253)	3,740
Less Investment Income	(289)	(386)
	(79,542)	3,354
(Increase)/decrease in lottery operator receivables	0	37
Increase/(decrease) in payables	(44)	(248)
Net cash inflow/(outflow) from operating activities	(79,586)	3,143

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.

9 Related Party Transactions

The OLDF was maintained under the control and management of the Secretary of State for Culture, Media and Sport. Therefore DCMS is considered to be a related party. During the period, 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 5 of the accounts. DCMS was also the sponsoring department of the Olympic Delivery Authority which was the principal recipient of funding from the Olympic Lottery Distributor. During the period the OLDF received £69.2m from the ODA for its share of the receipts of the sale of the Olympic Village.

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. A total of £148.7m of funds was transferred to the NLDF in the 2014-15 period.

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

The Gambling Commission, whose role is to monitor and provide assurance that the payments to the OLDF during the year are complete and accurate in all material aspects, forms part of the DCMS Group accounts and is a related party.

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

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

10 Events after the reporting period

There were no significant events after the reporting period. These accounts were authorised for issue by the Accounting Officer on 11 March 2015.

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