

Opening Statement of Carol Boate, Regulator of the National Lottery, to the Public Accounts Committee

24 November 2022

Introduction

I am delighted to have the opportunity to meet with the Committee in my role as Regulator of the National Lottery. I am joined by my colleague Mr Derek Donohoe, the Deputy Regulator and Head of Audit and Finance.

I am looking forward to assisting the Committee in its examination of the 2021 audited financial statements of the National Lottery Fund; and also in relation to Chapter 19 ‘*Exchequer receipts from National Lottery ticket sales*’ of the Comptroller and Auditor General’s report on the Accounts of the Public Services 2021.

As this is the first time the Regulator of the National Lottery has appeared before the Committee I would like to take a moment to outline to the Committee Members the context of the accounts of the National Lottery Fund. Specifically, I will outline the changes in the operation of the National Lottery and its oversight as a result of the National Lottery Act 2013 (the “2013 Act”).

Historical Model of operation of the National Lottery

When the National Lottery was created in 1987, it was initially operated by a State-owned company under licence on a management fee basis. The relevant Minister approved schemes of National Lottery games and withdrew monies for good causes from the National Lottery Fund as provided by the legislation.

New Model of operation of the National Lottery

In 2013, the new Act provided that the National Lottery, while remaining State-owned, would instead be operated by a private company under licence following a competitive process.

Under this legislation, the 20-year licence provides for the following:

- A risk-sharing arrangement whereby the State receives 65% of tickets sales less prizes won.
- Prizes must, on average across the portfolio of games, be at least 50% of annual sales.
- Retailer commission is a fixed percentage for the duration of the Licence.
- Expired unclaimed prizes are to be spent solely on promoting the National Lottery.

The Licence

The Minister for Public Expenditure and Reform awarded the Licence to operate the National Lottery to Premier Lotteries Ireland (the “Operator”) in 2014 for a sum of €405 million.

Office of the Regulator

The 2013 Act also created the independent statutory office of the Regulator of the National Lottery which replaced the Minister in the role of approving schemes of National Lottery games and managing and controlling the National Lottery Fund. The Regulator also monitors and enforces compliance by the Operator with the Act and the Licence and exercises the enforcement rights of any trademark of the National Lottery.

The Regulator must exercise these functions with the objectives of safeguarding the probity and long-term sustainability of the National Lottery; ensuring that the interests of participants are protected; and, subject to those objectives being met, maximising returns for good causes.

Thus, the Regulator’s role centres around ensuring that the requirements of the Act and the Licence are being met – with statutory powers to support this. The Regulator’s remit is strictly provided for by legislation and under the

Licence. This means that the Regulator does not have the authority to intervene in areas not provided for. Where an operational matter does not require approval and is not a breach of the Licence, it is entirely a matter for the Operator.

The first Regulator was appointed in November 2014 and served in their role until May 2017. I was appointed in October 2017. In both the period before the first Regulator was appointed and the interim period between our appointments, the Minister acted as Regulator.

The Office of the Regulator is staffed with relevant expertise to support its functions in areas including, accounting, audit, law, among others. I am trained in regulatory governance and have a background in regulating for effective competition and consumer protection. My colleague, Derek, was previously a partner in a leading Irish accountancy practice with significant experience in auditing, forensic accounting, corporate governance and compliance.

The National Lottery Fund

The National Lottery Fund (the “Fund”) is essentially a bank account, which is required under statute to be maintained in the Central Bank of Ireland. The Account of Receipts and Payments of the Fund have been audited every year by the Comptroller and Auditor General since the Fund was established under the National Lottery Act 1986.

Under the 2013 Act, the Fund continues in being, comprises a single account, and the financial statements continue to be presented on a consistent basis as an Account of Receipts and Payments.

A key function of the Regulator is to manage and control the National Lottery Fund. In particular:

- Every week, the office of the Regulator reviews detailed financial reports from the Operator and receives and disburses funds appropriately.
- The office cross references these weekly reports with access it has to some of the Operator’s systems and other reports that are received.
- Each week the monies attributable to good causes from that week’s sales are retained in the Fund.
- Every two months, these good causes monies are collectively transferred across to the Central Exchequer, in line with the Minister’s direction, in a timely manner.

- The accounts of the National Lottery Fund are prepared annually by the Regulator.

The accounts for the year ended 31 December 2021 are the seventh set of audited accounts since the new licence and new statutory oversight commenced.

My Annual Report accompanying the 2021 accounts, details the returns to good causes and the prizes won in each year since the start of the Licence and you can see that they have both increased year on year. The compound annual growth rate of sales is approximately 8%. This equates to overall growth in sales of 57% from 2015 to 2021 and growth in good causes earnings of 61% in the same period. The impact on good causes earnings has been an increase from €188m in 2015 to €304m in 2021.

As highlighted in the Comptroller and Auditor General's Report, the returns to good causes and prizes won remained relatively consistent as a proportion of sales over the seven years. The return to good causes ranged between 27.6% and 28.85%. This consistency is unsurprising given the design of the Licence.

The financial model in the Licence aligns the commercial interests of the Operator closely with the returns to the State from this asset. If returns to the Operator are rising, then returns to good causes are also rising. If returns to good causes are falling, then returns to the Operator are also falling.

As set out in our Strategy Statement 2022-24, the Office of the Regulator of the National Lottery is focused on continuing to safeguard the future of this important State asset, as the consumer and technology environment in which the National Lottery operates continues to change with speed. We are building on the system of regulatory oversight that has been established over the past seven years to ensure the propriety of the National Lottery and protection of players; and we continue to improve the accessibility of information available for different audiences on how the National Lottery is regulated and how returns to good causes are calculated and transferred to the Exchequer. I look forward to working with the Office of the Comptroller and Auditor General and the Committee in this regard.

Conclusion

I hope that the information has been helpful to the Members of this Committee in providing an overview of the operation of the National Lottery and the role of the Regulator. I look forward to answering your questions.