

## **Presentation to the Joint Oireachtas Committee on Finance, Public Expenditure and Reform and Taoiseach**

**24 April 2018**

### ***Introduction***

I wish to thank the Committee for inviting me to provide an overview of the operation of the National Lottery. This is my first time to appear before the Committee.

### ***Regulatory Structure***

To facilitate the Committee in understanding the operation of the National Lottery, I think it is useful to provide Members with a timeline of the changes which came about when the Minister for Public Expenditure and Reform awarded a 20-year Licence to Premier Lotteries Ireland (the “Operator”) on 27 February 2014 and who began operating the National Lottery on 30 November 2014. The first Regulator was appointed on 17 November 2014 and resigned on 3 May 2017 to take up a post elsewhere. I was appointed on 9 October 2017. In both the period before the first Regulator was appointed and the interim period between our appointments, the Minister acted as Regulator.

I would also like to draw the Members’ attention to the respective roles of the Operator and the Regulator. These roles are set out in the National Lottery Act 2013 (“the Act”) and the Licence to Operate the National Lottery (“the Licence”).

Under the Act, the Operator of the National Lottery has the sole purpose of operating the National Lottery in accordance with the terms and conditions of the Licence. The Operator must report to the Regulator on its activities and it must appear before this Committee when requested to do so.

The functions of the Regulator under the Act are:

1. To procure the holding of the National Lottery;
2. To monitor and enforce compliance by the Operator with the Act and the Licence;
3. To manage and control the National Lottery Fund;
4. To consider for approval certain matters relating to the National Lottery, including schemes for National Lottery games; and
5. To exercise the enforcement rights of any trademark of the National Lottery.

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

Thus, the regulatory role centres around ensuring that the requirements of the Act and the Licence are being met – with statutory powers to support this. Some aspects of the operation of the National Lottery require regulatory approval in advance and I have statutory powers to investigate any apparent breaches. 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 Office of the Regulator of the National Lottery is staffed with relevant expertise to support its functions. This includes expertise in accounting, audit, law, psychology, data analysis, risk management and regulation. I am trained in regulatory governance and have a background in regulating for effective competition and consumer protection. I am joined today by the Deputy Regulator and Head of Audit and Finance, Mr Derek Donohoe, who was previously a partner in a leading Irish accountancy practice with significant experience of auditing, forensic accounting, corporate governance and compliance.

### ***Oversight of the Operator***

In order to monitor and enforce compliance by the Operator, my Office has a range of information gathering mechanisms in place. These include:

1. 31 different regular reports from the Operator;
2. Real time access to data from the Operator's business systems;
3. Regular meetings with the Operator;
4. Oversight of the processes and controls applied by the Operator;
5. Monitoring the marketing and PR activities of the Operator;
6. Other proactive reviews, investigations, and requests for reports or information on specific matters.

The information we glean from these monitoring activities is combined with my powers under the Act and a risk-based approach to ensuring compliance.

### ***Proposals from the Operator***

A range of the Operator's activities require the written approval or consent of the Regulator. These include: new lottery games, new service providers, and changes to Codes of Practice for Sales, Advertising and Promotion, Participant Relations and Employee Vetting.

Every request for approval or consent is scrutinised to assess whether it complies with the Act and the Licence. Each assessment will involve a wide range of aspects of the request and of the Licence.

Where the Regulator is not satisfied that a request is compliant, the Operator may be asked for further information or explanation. Often the Operator submits an amended proposal or an explanation that removes any concern and the request is ultimately approved. If the Operator is unable to address the concerns, at least within the required time limit, the request is rejected or withdrawn.

In total, since the commencement of the Licence, the Regulator has received 113 requests from the Operator that have been considered and concluded. Ultimately, 87 were approved, 19 were rejected, and 7 were withdrawn. I have attached to this presentation an up to date list of all of these requests.

### ***The National Lottery Fund***

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

Every week we thoroughly review detailed financial reports from the Operator and receive and disburse funds appropriately. We can cross reference these weekly reports with both the real time

access we have to the Operator's systems and other reports we receive. The Fund is audited annually by the Comptroller and Auditor General.

Under the Licence, prizes must, on average across the portfolio of National Lottery games, be at least 50% of sales. The amount allocated to Good Causes is 65% of the difference between sales (net of the retailer's commission and any free ticket prizes) and prizes.

Returns to good causes have increased each year since the start of the Licence. In 2017, over €226m was transferred for Good Causes (2016: €218.9m [€7m of which related to sales in previous years]. 2015: €193.3m).

### ***Other Operational Information***

The Operator has reported the following information.

#### ***Sales***

In 2017, 1.45 million people played Lottery games on a regular basis (i.e. in the past month), representing 41% of the adult population.

Ticket sales for 2017 amounted to €800m (2016: €750m). Sales for draw based games were €559m (2016: €530m), while scratch card and on-line instant win games were €241m (€220m). With respect to the sales channel, 93.5% (2016: 94.6%) of sales were retail, while 6.5% (2016: 5.4%) were on-line.

#### ***Retail Estate***

The number of retail outlets has increased from 3,700 to 5,780 since the commencement of the new Licence. The largest part of this increase resulted from extending the network from one third of post offices to all post offices, including sub post offices, in 2016.

1,811 of the new retail outlets operate a restricted range of draw based games and scratch cards. 500 of these are post office outlets co-located within an existing National Lottery retailer.

The same Codes and controls apply to every retail outlet regardless of its ownership or size.

#### ***Systems Availability***

In 2017, on average over the whole network, terminals were available to sell tickets 99.98% of the time. Availability of website services varied from 99.81% to 99.99% of the time. This performance is in line with the 99% standard required under the Licence.

### ***Conclusion***

I hope that the information in my presentation has been helpful to the 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.

**Carol Boate**  
**Regulator of the National Lottery**  
**24 April 2017**