

Regulator of National Lottery

Report and Financial Statements
for the period 27 February 2014
to 31 December 2014



Rialálaí an Chrannchuir Náisiúnta
Regulator of the National Lottery

REGULATOR OF THE NATIONAL LOTTERY

Report and Financial Statements

for the period 27 February 2014 to

31 December 2014

REGULATOR OF THE NATIONAL LOTTERY

REPORT AND FINANCIAL STATEMENTS

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REGULATOR OF THE NATIONAL LOTTERY

GENERAL INFORMATION

Regulator of the National Lottery	Liam Sloyan
Address	Block D Irish Life Centre Dublin 1
Bankers	AIB plc. 40/41 Westmoreland Street Dublin 2
Solicitors	Mason Hayes & Curran South Bank House Barrow Street Dublin 4 Byrne Wallace 87/88 Harcourt Street Dublin 2
Auditors	Comptroller and Auditor General Dublin Castle Dublin 2

REGULATOR OF THE NATIONAL LOTTERY

REPORT OF THE REGULATOR

for the period ended 31 December 2014

In accordance with Section 22 of the National Lottery Act 2013, I am pleased to present the first Annual Report and Accounts of the Regulator of the National Lottery for the period from 27 February 2014, date of establishment, to 31 December 2014.

Period covered by this report

The National Lottery Act 2013 (“the Act”) established the office of Regulator of the National Lottery on 27 February 2014, the date of the Commencement Order for its establishment. The Minister for Public Expenditure and Reform performed the function of Regulator from the date of establishment until 17 November 2014, the date of appointment of the first Regulator. There was no income or expenditure in the period in which the Minister acted as Regulator.

Functions of Regulator

The functions of the Regulator are described in the Act and include the following:

- To procure the holding of the National Lottery
- To monitor the operation of the National Lottery and to monitor and enforce compliance with the Act and the licence to operate the National Lottery
- To consider for approval certain matters relating to the National Lottery (including schemes for National Lottery games)
- To manage and control the National Lottery Fund.

For full details please refer to the Act.

The Regulator is to carry out these functions in a manner most likely to ensure -

- a) that the National Lottery is run with all due propriety,
- b) that the interests of participants in the National Lottery are protected
- c) that the long term sustainability of the National Lottery is safeguarded, and

subject to a) to c), to ensure revenues allocated to the Central Fund for disbursement for the purposes permitted by the Act are as great as possible, subject to the terms of the licence.

Objectives and activities to 31 December 2014

Following my appointment my key objectives for the six weeks remaining in the calendar year related to the establishment of the office of Regulator of the National Lottery, the transition of the regulatory functions to me, the transition to the new operator of the National Lottery (Premier Lotteries Ireland) from An Post National Lottery Company and ongoing regulation of the National Lottery.

Establishment of the office of Regulator of the National Lottery

Strategy

The Vision, Mission and Values of the Regulator of the National Lottery derive from the National Lottery Act, 2013, and public sector values and are set out here:

Vision

A safe, sustainable, properly run lottery maximising returns for good causes.

Mission

We aim to achieve our vision by:

1. Managing and controlling the National Lottery Fund
2. Monitoring the operation of the National Lottery
3. Enforcing compliance with the legislation and the licence
4. Managing the office of Regulator of the National Lottery.

REGULATOR OF THE NATIONAL LOTTERY

REPORT OF THE REGULATOR *for the period ended 31 December 2014*

Values

Our values in achieving this work are:

1. Independence
2. Integrity
3. Openness
4. Expertise
5. Good governance

Staffing and resources

Over the twenty year term of the current licence to operate the National Lottery, the office of Regulator will be funded by a levy of €1.5m per annum, indexed with the Consumer Price Index. This levy is payable by the operator of the National Lottery.

The Regulator has received sanction for nine staff, with no staff appointments made in 2014.

Accommodation

The Regulator conducted an accommodation search in the public and private sector. The accommodation determined to be most suitable is accommodation at Block D in the Irish Life Centre on Abbey Street, currently leased by the Department of Health until 2023. The accommodation was available from 1 February 2015 and in walk-in condition, enabling the Regulator to move in on that date. Until 1 February 2015, the Department of Health accommodated the Regulator in its offices.

Transition of regulatory functions to the office of Regulator of the National Lottery

The transition of regulatory functions from the Minister for Public Expenditure and Reform to the Regulator of the National Lottery required that the Regulator establish appropriate systems and controls and procure adequate resources in order to carry out the functions. Accordingly, during the establishment phase, the Department of Public Expenditure and Reform provided assistance to the Regulator.

Throughout the period of this report, the Regulator continued to establish the necessary processes and controls and to procure the necessary resources in order to enable the transition to be completed by early 2015.

Transition to a new operator of the National Lottery

On 27 February 2014, the Minister for Public Expenditure and Reform granted the new licence to operate the National Lottery to Premier Lotteries Ireland. The award of the twenty year licence followed a competition which took place between May and October 2013. The new licence was granted in accordance with the National Lottery Act 2013. On 30 November 2014, Premier Lotteries Ireland took over from An Post National Lottery Company as the operator of the Irish National Lottery, overseen by the Regulator of the National Lottery.

REGULATOR OF THE NATIONAL LOTTERY

REPORT OF THE REGULATOR *for the period ended 31 December 2014*

Regulation of the National Lottery

Requests for approval of schemes for lottery games under section 45 of the Act

The Regulator established a template with the operator for the submission of requests for approval under section 45 of the National Lottery Act 2013. Under the template requests for approval must include the following:

1. The terms of the request
2. The reasons for the request
3. The basis upon which it is considered that the request is compliant
4. An analysis of the expected overall impact of the outcome of the request, if implemented, on good causes
5. An analysis of any risks for the achievement of the Regulator's statutory objectives, specifically:
 - a. Player protection
 - b. Propriety
 - c. Sustainability, including consideration of the impact on the reputation of the National Lottery.

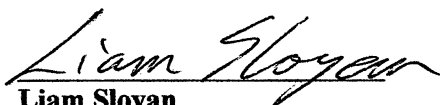
During the period covered by this report, the Regulator received two requests for approval under section 45 of the Act. The Regulator considered these requests and engaged with the operator in relation to them. One of these requests was ultimately approved and the other was ultimately withdrawn.

Regulating the operation of the National Lottery

A template was established for the submission of weekly returns to the Regulator on the financial performance of each game. Three such returns were received and analysed in the period.

The Regulator also engaged actively with the operator and met with all of the senior management during the period covered by this report.

I wish to thank the Minister for Public Expenditure and Reform, Mr. Brendan Howlin T.D., as well as officials in the Department of Public Expenditure and Reform, for assistance and support in the establishment of the office of Regulator of the National Lottery and in the transition of functions to the Regulator of the National Lottery.



Liam Slovan
Regulator of the National Lottery

21 December 2015



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Regulator of the National Lottery

I have audited the financial statements of the Regulator of the National Lottery for the period from the date of establishment of the office (27 February 2014) to 31 December 2014 under the National Lottery Act 2013. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and the related notes including the accounting policies. The financial statements have been prepared in the form prescribed under section 22 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Regulator

The Regulator is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Regulator's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of 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 Regulator's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Report of the Regulator 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 report.

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the Regulator's income and expenditure for the period ended 31 December 2014 and of the state of the Regulator's affairs at that date.

In my opinion, proper books of account have been kept by the Regulator. The financial statements are in agreement with the books of account.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Report of the Regulator is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect the Regulator's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Seamus McCarthy
Comptroller and Auditor General
24 December 2015

Report of the Comptroller and Auditor General

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REGULATOR OF THE NATIONAL LOTTERY

STATEMENT ON INTERNAL FINANCIAL CONTROL

I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and any material errors or irregularities are either prevented or would be detected in a timely manner.

Control environment

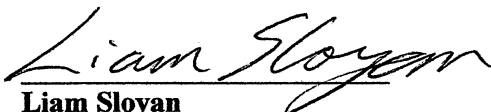
The following steps have been taken to ensure an appropriate control environment:

Due to the size of the organisation, the Regulator engaged an external accounting firm to prepare and monitor the financial statements for the Regulator and to perform a monthly financial recording and reporting mechanism on the management of the accounts generally, including budgets. The Regulator has put in place a computer software accounting system to facilitate the recording and reconciliation of all transactions and to provide a complete audit trail of transactions processed.

Decisions for incurring expenditure rest with the Regulator.

The Regulator has adopted a Code of Practice for the Governance of the office of Regulator of the National Lottery based on the Code of Practice for the Governance of State Bodies (2009).

I confirm that a review of the effectiveness of the system of internal financial controls was carried out in respect of 2014.



Liam Sloyan
Regulator of the National Lottery

21 December 2015

REGULATOR OF THE NATIONAL LOTTERY

STATEMENT OF RESPONSIBILITIES OF THE REGULATOR

Section 22 of the National Lottery Act, 2013, requires the Regulator to prepare financial statements in such form as may be approved by the Minister for audit by the Comptroller & Auditor General.

The Regulator is responsible for keeping in such form as approved by the Minister all proper and usual accounts as the Minister may direct in accordance with section 22. In preparing those financial statements, the Regulator:

- Selects suitable accounting policies and then applies them consistently;
- Makes judgements and estimates that are reasonable and prudent;
- States whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepares the financial statements on the going concern basis unless it is inappropriate to presume that the office of Regulator of the National Lottery will continue in operation.

The Regulator is responsible for submitting the financial statements to the Comptroller and Auditor General for audit. Subsequently the Regulator is responsible for presentation of the financial statements and report of the Comptroller and Auditor General to the Minister, together with a report by the Regulator in relation to the performance of his functions.



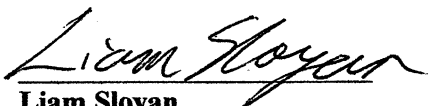
Liam Sloyan
Regulator of the National Lottery

21 December 2015

REGULATOR OF THE NATIONAL LOTTERY

STATEMENT OF INCOME AND RETAINED EARNINGS *for the financial period ended 31 December 2014*

	Notes	Period 27 February 2014 to 31 December 2014 €
Income	3	131,507
Administration costs	4	(24,293)
Operating surplus		107,214
Interest receivable		-
Surplus for the period		<u>107,214</u>
Total Comprehensive Income / retained earnings		<u>107,214</u>


Liam Sloyan
Regulator of the National Lottery

21 December 2015

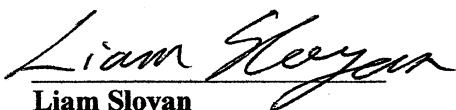
Notes 1 to 13 form part of these Financial Statements.

REGULATOR OF THE NATIONAL LOTTERY

BALANCE SHEET

As at 31 December 2014

	Notes	2014 €
NON-CURRENT ASSETS		
Property, plant and equipment	7	<u>980</u>
CURRENT ASSETS		
Debtors	8	131,507
CREDITORS (amounts falling due within one year)		
Creditors and accruals	9	<u>(25,273)</u>
NET CURRENT ASSETS		<u>106,234</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>107,214</u>
NET ASSETS		<u>107,214</u>
REPRESENTED BY		
Accumulated retained earnings	11	<u>107,214</u>


Liam Slovan
Regulator of the National Lottery

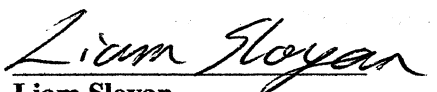
21 December 2015

Notes 1 to 13 form part of these Financial Statements.

REGULATOR OF THE NATIONAL LOTTERY

STATEMENT OF CASHFLOWS *for the financial period ended 31 December 2014*

	Notes	Period 27 February 2014 to 31 December 2014	€
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus for the period		107,214	
Depreciation	7	28	
Increase in debtors		(131,507)	
Increase in creditors		<u>25,273</u>	
Net cash inflow from operating activities		1,008	
Returns on Investment and Servicing of Finance			
Interest Received		-	
Net Capital Expenditure			
Payments to acquire tangible fixed assets	7	<u>(1,008)</u>	
Increase/decrease in cash		<u>-</u>	
Cash and cash equivalents at the end of the financial period		<u>-</u>	


Liam Sloyan
Regulator of the National Lottery

21 December 2015

Notes 1 to 13 form part of these financial statements.

REGULATOR OF THE NATIONAL LOTTERY

NOTES (forming part of the financial statements) for the period ended 31 December 2014

1. Accounting Policies

The significant accounting policies adopted in these financial statements are as follows:

Accounting period

The financial statements are presented for the period from 27 February 2014, date of establishment of the office of Regulator of the National Lottery, to 31 December 2014. Please refer to note 2 below on the Establishment of the office.

Basis of Accounting

As permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland", FRS 102 has been applied early in the preparation and presentation of these, the first financial statements of the Regulator of the National Lottery. There were no material departures from the standard.

The financial statements are prepared on the accruals basis in accordance with generally accepted accounting principles and under the historical cost convention.

Levy Income

Levy income represents the amount receivable under the licence by the Regulator from the operator of the National Lottery in respect of the period.

Expenditure Recognition

Expenditure is recognised in the financial statements on an accruals basis as it is incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation, charged to the Statement of Income, is calculated in order to write off the cost of assets over their estimated useful lives, under the straight-line method, at the annual rate of 33 $\frac{1}{3}$ % for computer equipment and 20% for all other assets from date of acquisition.

REGULATOR OF THE NATIONAL LOTTERY

NOTES (forming part of the financial statements) for the period ended 31 December 2014

Foreign Currencies

The financial statements are presented in Euro (€).

Transactions denominated in foreign currencies are converted into euro during the year and are included in the Statement of Income for the period.

Monetary assets and liabilities denominated in foreign currencies are converted into euro at exchange rates ruling at the balance sheet date and resulting gains and losses are included in the Statement of Income for the period.

Pensions

The National Lottery Act 2013 provides that the Regulator may, with the consent of the Minister for Public Expenditure and Reform, determine the conditions of service of staff.

The Regulator is currently establishing pension arrangements in respect of all employees in cooperation with the Department and will make the necessary deductions from salaries, which will be retained by the Regulator for future transmission to the Department, but not recognised as income. The Regulator is providing for employer contributions to such pension arrangements. Subject to finalisation of the arrangements with the Department, the Regulator does not consider it is probable that the office of Regulator will be required to transfer resources embodying economic benefits (other than for normal employer contributions) for benefits payable to members. Actuarial risk and investment risk are not expected to arise for the office of the Regulator.

As a result the accounting policy with regard to pensions is to treat them as a defined contribution plan in accordance with section 28.13 of FRS 102. See note 10 for further details.

2. Establishment of the office of Regulator of the National Lottery

The office of Regulator of the National Lottery, which is located at Block D Irish Life Centre Dublin 1, was established on 27 February 2014 under Section 7 of the National Lottery Act 2013 and the holder of the office is known as the Regulator of the National Lottery. The first Regulator of the National Lottery was appointed on 17 November 2014.

The Minister for Public Expenditure and Reform performed the function of Regulator in the period from 27 February 2014 to 17 November 2014. There was no income or expenditure in the period in which the Minister acted as Regulator.

These financial statements are presented for the period from 27 February 2014, date of establishment, to 31 December 2014, and as a result no comparative amounts arise.

Details in respect of the operations of the Regulator and its principal activities are included in the Report of the Regulator on page 2.

REGULATOR OF THE NATIONAL LOTTERY

NOTES (forming part of the financial statements) for the period ended 31 December 2014

3. Income

Section 24 of the National Lottery Act 2013 provides for the payment of an annual levy by the operator of the National Lottery to the Regulator. The operator's licence was issued on 30 November 2014 and levy income included in the financial statements relates to the period from the issue date. The amount of the levy, as specified in the licence with the operator, is €1,500,000 per annum, subject to indexation with the Consumer Price Index.

	2014 €
Income Levy, for the period	<u>131,507</u>

4. Administration Costs

	2014 €
Salaries and staff costs (Note 5)	19,192
Consultancy (Note 6)	2,262
Computer and stationery costs	290
Miscellaneous costs *	21
Audit	2,500
Depreciation	<u>28</u>
	<u>24,293</u>

The amount expended on foreign travel in the period was €nil.

*Miscellaneous costs are Regulator's expenses.

5. Regulator's Remuneration

The Regulator was appointed on 17 November 2014 and his salary for the period was €14,230. An amount of €1,404 was paid in relation to employers PRSI. The Regulator received travel and subsistence expenses of €21 and €nil in respect of other expenses. The Regulator's pension entitlements are in line with standard entitlements in the model public sector defined benefit superannuation scheme. The Regulator did not receive any perquisites or benefits in 2014.

The number of staff employed by the Regulator's Office (including the Regulator) at 31 December 2014 was one.

REGULATOR OF THE NATIONAL LOTTERY

NOTES (forming part of the financial statements) for the period ended 31 December 2014

6. Consultancy Costs		2014
		€
Accountancy		1,538
Legal services		<u>724</u>
		<u>2,262</u>
7. Property, plant and equipment		
	Computer Equipment	Total
	€	€
Cost		
Additions during period	<u>1,008</u>	<u>1,008</u>
At 31 December 2014	<u>1,008</u>	<u>1,008</u>
Depreciation		
Charge for period	<u>28</u>	<u>28</u>
At 31 December 2014	<u>28</u>	<u>28</u>
Net Book Value		
At 31 December 2014	<u>980</u>	<u>980</u>
8. Debtors and Prepayments		2014
		€
Accrued income		<u>131,507</u>

REGULATOR OF THE NATIONAL LOTTERY

NOTES (forming part of the financial statements) for the period ended 31 December 2014

9. Creditors (amounts falling due within one year)	2014 €
Trade creditors and accruals	5,770
Pension provision (Note 10)	4,354
Department of Public Expenditure and Reform	14,838
Sundry creditors	<u>311</u>
	<u>25,273</u>

The amount due to the Department of Public Expenditure and Reform is in respect of initial costs incurred by the office of Regulator of the National Lottery prior to its receipt of income. The amount due to the Department has been fully repaid subsequent to the period end.

10. Pensions provision

The Regulator is in the process of drafting a defined benefit pension scheme for its employees. The scheme structure will be based on the Public Service Model and approval of the Minister for Public Expenditure and Reform will be sought. The accumulated contributions, including employer contributions of 25% of pensionable pay in the current period, are charged to the Statement of Income. The accumulated contributions are held for the account of the Minister for Public Expenditure and Reform.

Benefit entitlements of employees will be a function of their service with the office of the Regulator and of their previous service in the civil or public service, where appropriate. The office of Regulator is not funded in respect of such benefit entitlements. It is not probable that the office of Regulator will have an obligation to transfer resources embodying economic benefits (other than for normal employer contributions) for benefits payable to members. Actuarial risk and investment risk is not expected to arise for the office of the Regulator.

As a result the requirements in FRS 102 with regard to defined benefit plans are not deemed to apply and no further disclosures are considered necessary.

11. Accumulated Retained Earnings

	2014 €
At beginning of period	-
Surplus for period	<u>107,214</u>
Retained earnings at the end of the period	<u>107,214</u>

REGULATOR OF THE NATIONAL LOTTERY

NOTES (*forming part of the financial statements*) *for the period ended 31 December 2014*

12. Capital Commitments

There were no commitments for capital expenditure at 31 December 2014.

13. Approval of Financial Statements

The financial statements were approved by the Regulator of the National Lottery on 21 December 2015.