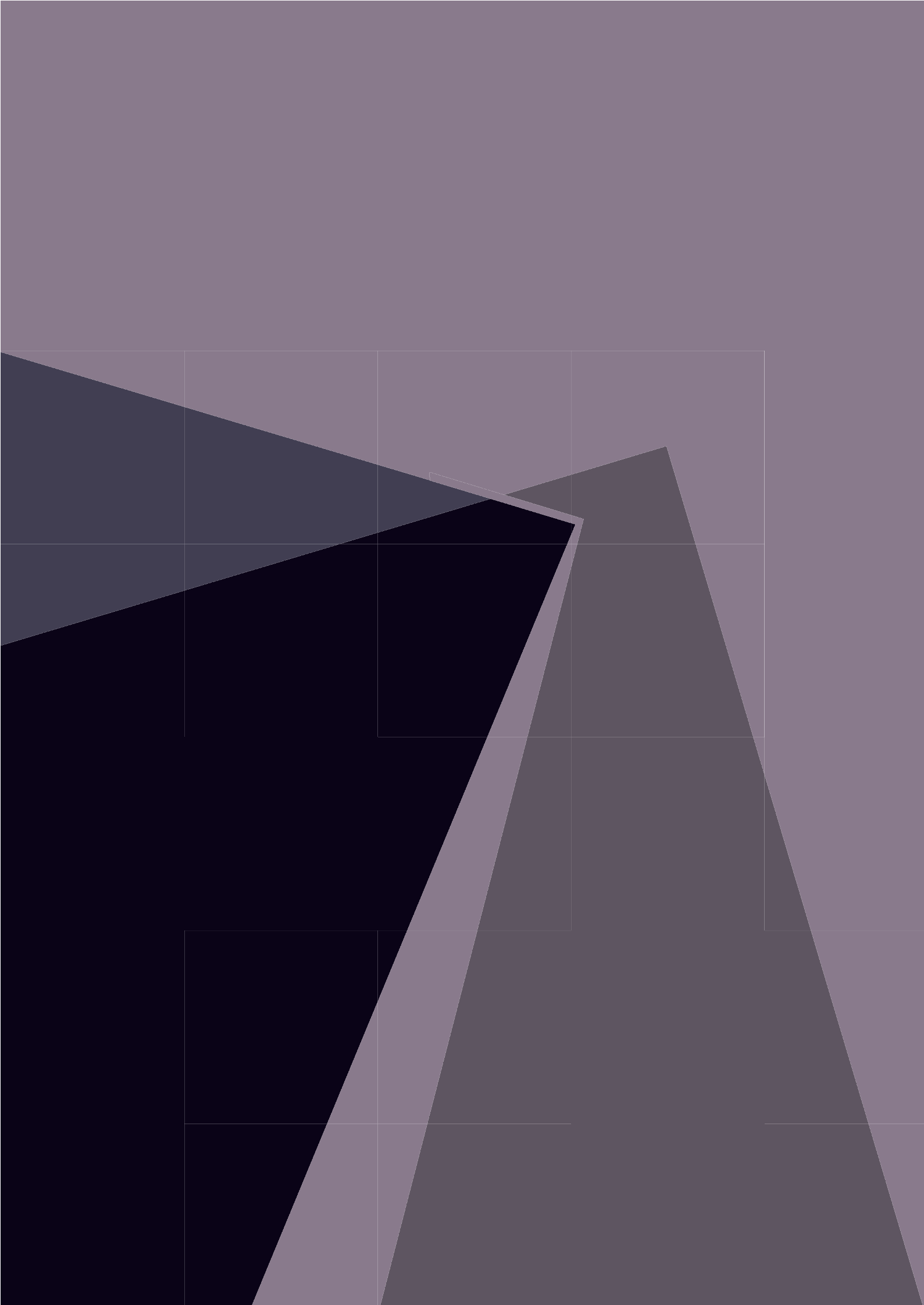




Rialálaí an Chranachuir Náisiúnta
Regulator of the National Lottery

ANNUAL REPORT AND ACCOUNTS

2016



Contents

1.	Report on Operations pursuant to Section 22(3) of the National Lottery Act 2013	
1.1.	Regulator's Statement	2
1.2.	Management of the Office of the Regulator of the National Lottery	3
1.3.	Functions of the Regulator	4
	1.3.1 Oversight of the Operator	5
	1.3.2 Regulatory approvals under the Act and the Licence	10
	1.3.3 National Lottery Fund	11
	1.3.4 Enforcement of Trademarks	12
1.4.	Corporate Affairs	13
	1.4.1 Strategy	13
	1.4.2 Corporate Governance	14
	1.4.3 Resources and Staffing	14
	1.4.4 Annual Report and Accounts	14
	1.4.5 Internal Audit	14
	1.4.6 Risk Management	15
	1.4.7 Legislative Requirements	15
	Appendix: Performance vs PLI's Performance Standards as Reported by PLI to the Regulator	16
2.	Regulator of the National Lottery	17
	– Financial Statements and Report of the Comptroller and Auditor General pursuant to Section 22(2) of the National Lottery Act 2013	
3.	National Lottery Fund	31
	– Financial Statements and Report of the Comptroller and Auditor General pursuant to Section 44(4) of the National Lottery Act 2013.	

1.1 Regulator's Statement



Ms Carol Boate
Regulator of the
National Lottery

In accordance with Sections 22 and 44 of the National Lottery Act 2013, I am pleased to present the Annual Report and Accounts for the Regulator of the National Lottery and the National Lottery Fund for the year ended 31 December 2016.

The National Lottery is enjoyed regularly by more than 40% of the adult population. The National Lottery has completed 30 years in operation and has raised more than €5 billion for Good Causes in that period. During 2016, €218.9 million was transferred to support Good Causes, averaging €4.2 million per week.

The year 2016 marks the completion of the second full year of operations under the 20-year Licence granted to the Operator, Premier Lotteries Ireland DAC, on 27 February 2014. Operations under the Licence commenced on 30 November 2014.

I commenced as Regulator on 9 October 2017, following the resignation of the previous Regulator, Liam Sloyan, on 3 May 2017. The Minister for Finance and Public Expenditure and Reform performed the functions of Regulator in the intervening period. This statement, and the attached Accounts are in respect of the year ended 31 December 2016.

In 2016 the Office completed a number of themed reviews of the operations of the National Lottery, specifically in the areas of anti-fraud controls, sub-contractor approvals, fitness and probity, and enforcement of trademarks. In addition, the Office engaged with the Operator in respect of improvements in player protection measures, particularly with regard to self-exclusion, multiple accounts, and age and identity verification. This work is ongoing.

Further to an investigation carried out on behalf of the Regulator in 2016, the Regulator considered that the Operator had breached the terms and conditions of the Licence relating to self-exclusion controls and issued a direction to the Operator to comply.

As part of its ongoing functions, the Office continues to receive and address complaints with regard to the Operator.

The Regulator was pleased to make a presentation to, and to address questions from, the Oireachtas Joint Committee on Finance, Public Expenditure and Reform and Taoiseach on 7 March 2017.

As the newly appointed Regulator, I am pleased to acknowledge the work and commitment of my colleagues in the Office of the Regulator in respect of 2016, and most particularly in respect of the subsequent period in the change of Regulator. I also acknowledge and thank Minister Paschal Donohoe and officials of the Department for their support and assistance in the year, and in the transition period prior to my appointment.

Finally, I am pleased to record my appreciation for the dedication and commitment of the previous Regulator, Liam Sloyan, in the establishment and development of the Office.

A handwritten signature in black ink that reads "Carol Boate". The signature is written in a cursive, flowing style.

Carol Boate
Regulator of the National Lottery

1.2 Management Team

The Office of the Regulator of the National Lottery was established under the National Lottery Act 2013 and the first Regulator, Liam Sloyan, was appointed by the Minister for Public Expenditure and Reform on 17 November 2014 and subsequently resigned on 3 May 2017. The Minister for Finance and Public Expenditure and Reform performed the functions of the Regulator in the period from 4 May 2017 to 8 October 2017. Carol Boate was appointed as Regulator, effective from 9 October 2017.

The Regulator and senior management team are:



Ms Carol Boate
Regulator of the National Lottery

Ms Boate is an experienced advocate for and practitioner of better regulation for the benefit of consumers and the economy. She holds a B.A. in Economics from Trinity College and an M.Sc. in Economics from University College Dublin, as well as postgraduate diplomas in EC Competition Law and Regulatory Governance. Before being appointed as Regulator of the National Lottery Ms. Boate was Director of Corporate Services and, previously, Director of Regulation and Business Engagement at the Competition and Consumer Protection Commission. Prior to that she worked at the Competition Authority, primarily in the areas of regulating mergers and acquisitions and advocating for changes to laws and regulations that hinder effective competition.



Mr Derek Donohoe
Deputy Regulator of the National Lottery / Head of Audit & Finance

Mr Donohoe is a Fellow of Chartered Accountants Ireland and holds a Diploma in Forensic Accounting. He has over 30 years of experience in accounting and auditing matters. He is a former partner in a leading Irish accountancy practice with significant experience in the areas of auditing, financial reporting, forensic accounting, corporate governance, compliance and due diligence reviews. He provided audit and compliance services to a portfolio of regulated entities in the financial sector for many years.



Ms Suzanne Lambe
Corporate Affairs Manager

Ms Lambe is a member of Certified Public Accountants Ireland and holds a Post Graduate Certificate in Project Management. She has over 10 years' public sector experience in finance, accounting and auditing. Before joining the Regulator of the National Lottery Ms Lambe was the Finance Officer with the Teaching Council, the regulatory body for teachers. Prior to that she held a number of positions in finance, accounting and administration within the private sector.



Mr Cian O'Sullivan
Head of Legal and Compliance

Mr O'Sullivan is a member of the Law Society of Ireland having qualified as a solicitor in 2001. He holds Bachelor of Civil Law and Master of Laws Degrees as well as post qualification diplomas awarded by the Law Society of Ireland, the Irish Taxation Institute and the Life Insurance Association. Before being appointed Head of Legal and Compliance he acted as an inspector with the Office of the Revenue Commissioners. Prior to that he worked in legal and compliance in a large insurance company and in a leading law firm.



Ms Siobhan Phillips
Head of Player Protection and Research

Ms Phillips is a Registered Psychologist with the Psychological Society of Ireland and holds M.Sc., H.Dip and BA(hons) degrees in Psychology. Prior to joining the Regulator of the National Lottery, she was Head of Research Infrastructures and Evaluation at the European Science Foundation. She has had a long professional career in public policy research and evaluation as a consultant and evaluation specialist and has published many reports in Ireland and internationally. She was Head of the EU Structural Funds Industry Evaluation Unit at the Department of Enterprise Trade and Employment for several years and was also a Programme Evaluator for the European Social Fund.



Mr David Scott
Accountant

Mr Scott is a member of the Chartered Institute of Public Finance and Accountancy and holds a Bachelor of Science degree in Mathematics. He has over 20 years' experience in finance, accounting and auditing. Before joining the Regulator of the National Lottery Mr. Scott was Finance and Administration Manager with the Citizens Information Board, regulating grant-funded entities. Prior to that he held positions in the third-level education and local government sectors in Ireland and the UK.

1.3 Functions of the Regulator

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

- To procure the holding of the National Lottery;
- To oversee the operation of the National Lottery and to monitor and enforce compliance with the Act and the Licence;
- 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; and
- To exercise the enforcement rights of any trademark of the National Lottery.

For full details please refer to the Act.

The Regulator is required 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
- d) subject to a) to c), to ensure revenues allocated to the Central Fund for disbursement for the purposes permitted by the Act (“good causes”) are as great as possible, subject to the terms of the licence.

The Regulator shall, subject to the Act, be independent in the performance of her functions.

Publication of Licence to Operate the National Lottery

Section 28 of the Act provides that the Regulator shall publish details of a Licence or a Code of Practice under it but that the Regulator would not publish any details deemed to be commercially sensitive unless the Regulator considered that there was an overriding public interest compelling her to do so.

The Licence, subject to some limited redactions for commercially sensitive information, and Codes of Practice are published and available on the Regulator’s website (www.rnl.ie).

1.3.1 Oversight of the Operator

Section 9(4) of the Act provides that the Regulator shall monitor and enforce compliance by the Operator with the Act and the Licence.

The Regulator monitors the activities of the Operator in accordance with her statutory objectives to ensure that the National Lottery is run with all due propriety; that interests of participants are protected; that the sustainability of the National Lottery is safeguarded; and, subject to the foregoing, that returns for good causes are maximised. This oversight includes the following:

- Ongoing access to and analysis of data from the Operator's business systems;
- Oversight of processes and controls applied by the Operator;
- Receipt and consideration of reports and returns received from the Operator.
- Regular meetings with the Operator; and
- In addition, the Office of the Regulator of the National Lottery conducts ad hoc reviews and investigations and issues requests for reports or information in relation to certain matters.

In 2016, the Regulator also conducted themed reviews of the Operator's operations, enforcement of trademarks, fitness and probity, and player protection measures and oversaw the implementation of enhancements by the Operator, inter alia, in relation to internal controls, self-exclusion controls, and multiple accounts.

The Operator's Commercial Activity

The Operator has reported that, in 2016, 1.4 million people played National Lottery games on a regular basis, representing more than 40% of the adult population.

Ticket sales for 2016 amounted to €750.2 million (2015: €670.4 million). Sales for draw based games were €529.8 million (2015: €482.5 million), while sales for instant games (scratch-card and interactive Instant Win Games) were €220.4 million (2015: €187.9 million).

During the year, the retail channel grew by 32% to 5,290 outlets.

There were also a number of game developments during the year. Please refer to 1.3.2 below for further details.

Player Protection

Under the Act, one of the Regulator's objectives is to ensure that the interests of the participants in the National Lottery are protected. Further to this objective, the Regulator has a focus on how the Operator is preventing problem play and underage play.

The Regulator recognises that, while most people derive nothing but enjoyment from National Lottery activity, certain groups or individuals are vulnerable or susceptible to problem play. The Regulator recognises that there are features of games, patterns of play, and the gaming environment that can amplify player risks, particularly for certain groups of players.

A key aim of player protection is preventing problem play through monitoring and assessing the structural features of games and the playing environment for the general player population, but with a particular focus on:

- Those who are underage: for the purposes of the National Lottery, underage is defined as under 18 years of age; and
- Vulnerable players, defined as those who have a susceptibility to excessive or problem play.

Responsible Communications and Advertising

An objective of the Regulator is to ensure that the Operator follows responsible gaming practices, that information provided is transparent, accessible, and does not mislead, and that players are not intentionally or unintentionally exposed to risks likely to result in underage or problem play.

During 2016, the Regulator actively engaged with the Operator in respect of upholding standards in the Advertising and Promotion Code of Practice. As a result of this activity, one advertisement was withdrawn and changed to reflect a standard under that Code and a second was the subject of a determination.

Prevention of Problem and Underage Play

The aim of preventing problem and underage play is pursued through reviews of procedures and the sales / playing environments against the provisions of the Act, the Licence and Codes of Practice approved by the Regulator, and by researching and identifying processes and practices that have demonstrated effectiveness in preventing or minimising risk. In addition, the Regulator's approval is required for schemes for lottery games and the aim of preventing problem play is also pursued through rigorous analysis of these requests for approval. This function is discussed further in Section 1.3.2 of this Report.

The Office is provided with quarterly player online transactional data by the Operator. This data is analysed with a view to monitoring levels of problem play and compliance with the Licence requirements set out in Schedule 9. In 2016, analysis of player self-exclusion data gave rise to circumstances which suggested an investigation was appropriate (see Enforcement section below).

The Operator also provides the Regulator with quarterly Player Protection reports which monitor and analyse player spending, changes in patterns of play and occurrence of spend limit reaching events.

The Regulator actively engaged with the Operator in respect of standards of age verification in the online environment in 2016 and the Office continues to monitor and analyse player online age data provided as part of its player protection remit.

The Operator has been awarded a Responsible Gaming Certificate according to the European Responsible Gaming Standards of the European Lotteries and Toto Association.

Controls for Online Play

Schedule 9 of the Licence sets out certain controls to be applied for online play, including:

- Registration;
- Random age checks;
- Payment of large prizes is contingent on proof of age and identity;
- Large prizes are paid by cheque;
- Limit on on-line account balance; and
- Limits on spending.

These controls together with achievement of the standards referred to above provide support in the prevention of problem and underage play.

In respect of underage play, the controls in place mean that minors are not able to register to play online with their true age. It is possible that minors can (in breach of the game rules) register using a false age and play online, but they would not be able to prove their age in order to claim a large prize and this would be expected to dissuade them from doing so. It is noted that the age checks conducted by the Operator during 2016 provide no evidence of minors being registered to play online. That been said, it is possible that a small number of minors, who would not be expected to be identified through the age checks in place, are not dissuaded by the controls, register using a false age and play online.

The Regulator notes the emphasis in the Act and the Licence in relation to controls around underage play. In particular, the Regulator notes the provisions in the Act that make it an offence to sell a National Lottery ticket to a minor and the provision that it is a defence in a prosecution for such an offence for the seller to show that he or she "took all reasonable steps to verify the age of the person purchasing the ticket". Accordingly, there is an onus on the Operator to ensure that it is not selling lottery tickets to minors and that it is taking all reasonable steps in order to verify that those purchasing National Lottery tickets are 18 years of age or older.

In addition to the controls set out in Schedule 9 of the Licence, the Operator has introduced a system whereby, where the Operator identifies patterns of activity that may be indicative of problem play, the Operator interacts with the player in order to raise their awareness of supports available, including facilities to

set spending limits, self-exclusion and access to services from GambleAware. The Operator reports to the Regulator in relation to this system regularly.

The application of controls for online play is subject to continuous review by the Regulator both in respect of compliance with the Licence and the Act and in respect of effectiveness.

The Regulator has regard to the controls for online play when considering applications for approval for schemes for lottery games which are played online.

Complaints Received from Participants

Members of the public, whether as participants in any National Lottery game or not, can file complaints in relation to the National Lottery with the Operator of the National Lottery. Details in relation to the Operator's complaints process can be found in the Participants' Code of Practice which is available on the Regulator's website and from the Operator.

Alternatively, complaints can be filed with the Regulator. The Regulator will consider the complaint from a regulatory perspective and will consider whether there has been any breach by the Operator of the Act or the Licence. The Regulator cannot influence or alter a decision that falls within the Operator's remit other than to ensure that it complies with the Act and the Licence. Details on how to complain to the Regulator and the complaints process are set out in the Regulator's website.

Summary of complaints received by the Regulator in 2016 and action taken

Subject Matter of Complaints	Numbers
Equipment in retailers not functioning / Draw Postponement	4
Retailer Complaint	1
Online Experience	19
Game Design / Price	13
Expired Scratch-cards	5
Information Provided	10
Quality of materials	1
Total	53

Action Taken by Regulator	Numbers
This Office responded directly	23
The Operator responded after contact from this Office	29
Ongoing complaints at 31 December 2016	1
Total	53

Themed Compliance Reviews

During 2016 the Regulator conducted the following themed compliance reviews:

1. Fitness and Probity

Section 9(2)(a) of the Act relates to the functions of the Regulator and states that the Regulator shall exercise her functions in such manner as she considers most likely to ensure *“that the National Lottery is run with all due propriety”*.

Section 36(1)(f) of the Act relates to revocation of the Licence and provides that the Regulator may serve notice of her intention to revoke the Licence if *“any person who is managing the business or any part of the business of running the National Lottery under the licence is not a suitable person to do so...”*.

Clause 19 of the Licence is titled *“Provision of Information about Directors, Shareholders and Others”*. Pursuant to Clause 19.1 the Operator must provide such information to the Regulator so that she can determine whether *“any Person who is managing the Licensee’s business...is...a fit and proper person...”*.

During 2016, the Regulator conducted a review of the Operator’s compliance with its fitness and probity obligations under the Act and the Licence. No action was required as a result of the review.

2. Anti-Fraud Review

Section 9(2)(a) of the Act relates to the functions of the Regulator and states that the Regulator shall exercise her functions in such manner as she considers most likely to ensure *“that the National Lottery is run with all due propriety”*.

Section 36(1)(e) of the Act relates to revocation of the Licence and provides that the Regulator may serve notice of her intention to revoke the Licence if *“the licence holder is not taking, or proposing to take, steps that are necessary or desirable for preventing the commission of fraud with respect to the National Lottery...”*.

Section 43 provides that it shall be an offence for certain persons, including the Licensee, its employees or agents, to own a National Lottery Ticket purchased for value or awarded as a prize.

In addition, the Licence contains a number of anti-fraud obligations and other reporting obligations on the part of the Operator.

During 2016, the Regulator conducted a review of the Operator’s compliance with its anti-fraud obligations under the Act and the Licence. No action was required as a result of the review.

3. Sub-Contractors

Clause 18 of the Licence provides that service providers to the Operator providing specified services must be approved by the Regulator. The contracts relating to those specified services must contain the following:

- (a) A provision incorporating all the provisions of the Licence;
- (b) A provision allowing the Regulator to terminate such a contract if the Regulator considers the service provider is in breach of its obligations; and
- (c) A provision allowing the Regulator to inspect a service providers information or other items to determine whether the National Lottery is being run with all due propriety.

During 2016, the Regulator conducted a review of the Operator’s compliance with its obligations in relation to sub-contractors under the Licence. No action was required as a result of the review.

4. Enforcement of Trademarks

For details please refer to Section 1.3.4 below.

Enforcement

Part 6 of the Act relates to Enforcement. Under Section 32 of the Act, the Regulator may appoint an investigator to investigate an apparent breach of the Act or the Licence. Under Section 33, the Regulator may give a direction to the Operator requiring it to carry out or to cease carrying out a specified action(s). Alternatively, the Regulator may apply to the High Court for an order restraining the Operator from breaching the Act or the Licence or for the Licensee to co-operate with an Investigation. Under Sections 34 and 35 the Regulator may impose a financial sanction on the Operator where it has failed to comply with a direction. The Regulator may also publish the details of any breach and direction or any statement of findings or any application to the Court under section 35.

In 2016 the Regulator appointed an investigator to investigate apparent breaches by the Operator of the self-exclusion provisions contained in Schedule 9 of the Licence.

In April 2017, after completion of the investigation and engagement by the Regulator with the Operator, the Regulator issued a direction to the Operator in accordance with Section 33 (1) (a) of the Act specifying that the Operator had breached terms and conditions of the Licence as identified by the investigation and directed that it comply with paragraphs 6(b) and 6(c) of Schedule 9 to the Licence. Paragraph 6 of Schedule 9 provides as follows:

“6. Self-Exclusion

(a) A player will be able to lock himself out of an Interactive Instant Win game for a minimum period of 2 days.

(b) All Games – Minimum Six Months

If a player chooses this option their account will be closed for a minimum of six months and the balance in their online wallet will be returned. They will receive no marketing messages for the period of their exclusion.

(c) All Games – Minimum One Month (Take a Break)

If a player chooses this option their account will be suspended for a minimum of one month. The balance in their online wallet will be held for the player but they will receive no marketing messages for the period of their exclusion.”

To date, no further enforcement action has resulted arising out of the investigation. The Regulator continues to monitor the compliance by the Operator with its obligations under Schedule 9 of the Licence in this regard.

Meetings with the Operator

Officers from my Office regularly meet with representatives of the Operator to discuss ongoing matters. 25 regular meetings were held during 2016.

1.3.2 Regulatory Approvals Under the Act and the Licence

A range of the Operator's activities require the written approval or consent of the Regulator under the National Lottery Act or the Licence, including the following:

- New or amended schemes for lottery games;
- New service providers;
- Schemes for the testing of equipment used in National Lottery draws, as well as qualified persons to conduct the tests;
- Internal audit reporting line;
- Approvable Descriptions of processes and systems; and
- Changes to Codes of Practice, including:
 - o Participants' Code of Practice
 - o Sales Code of Practice
 - o Advertising and Promotion Code of Practice
 - o Code of Practice on Vetting Employees.

During 2016, the Operator submitted 34 requests for approval or consent. These were considered by the Regulator in accordance with the Act and the Licence and on 30 occasions further information was sought by the Regulator and / or the Operator chose to submit amended requests for approval.

Of the 34 requests, 28 related to schemes for National Lottery games; 16 of these were in respect of Interactive Instant Win Games (IWGs), with 13 IWGs ultimately being approved and 3 refused, primarily for reasons of player protection.

Ultimately, the Regulator provided approval or consent in relation to 31 submissions received from the Operator, 25 of which approvals related to schemes for National Lottery games.

Further information in respect of Interactive Instant Win Games

In November 2015, the Operator introduced the first IWGs under the Licence. IWGs are played online and involve interaction between the system and the player, although the game remains a game of pure chance and the actions of the player have no bearing on the outcome.

Due to, inter alia, the interactive nature of these games, they can pose extra risk from a player protection perspective. However, this can be mitigated by establishing a control framework with the intention of reducing the risk for players. Such a control framework is required under Schedule 9 of the Licence and includes limits on spend and player self-exclusion options. Clause 10 of the Licence requires the Operator to operate the National Lottery in accordance with responsible gaming practices that prevent problem gaming.

1.3.3 National Lottery Fund

The National Lottery Fund (the “Fund”) was established under Section 8 of the National Lottery Act 1986 and continues under the Act. The Fund is managed and controlled by the Regulator in accordance with the Act and the Licence.

In accordance with the Licence, the Fund comprises a single account held with the Central Bank of Ireland.

Under the terms of the Licence granted to the Operator, on a weekly basis:

- (1) the Operator lodges to the Fund the total amount of ticket sales net of retailers’ commissions and of small prizes paid by retailers,
- (2) the Regulator transfers from the Fund to the Operator an amount in respect of prizes, other than small prizes, for the week,
- (3) the Regulator reserves in the Fund the amount in respect of good causes, calculated in accordance with the Act and the Licence, and transfers such amounts on a periodic basis as agreed with the Minister for Finance and Public Expenditure and Reform to the Central Fund of the Exchequer,
- (4) the Regulator reserves in the Fund and transfers the amount due in respect of the Regulator’s levy, in accordance with the Annual Levy to the Regulator under the Act and the Licence, and
- (5) the Regulator transfers the remaining amount in respect of the week to the operator in accordance with the Act and the Licence.

The Regulator reviews weekly settlement information provided by the Operator together with a review of outputs from the Operator’s gaming system recording sales of all National Lottery products.

The Fund is reconciled on a weekly basis. Monthly management accounts of the Fund are prepared and are subject to review by the Finance Committee of the Regulator, which includes an external consultant. Annual financial statements in the form of a Receipts and Payments Statement are prepared and are subject to audit by the Comptroller and Auditor General.

The Regulator has formal procedures and internal controls in place for the management and control of the Fund and the transfers of amounts to and from the Fund. This system of internal controls employed by the Regulator is subject to annual review by internal audit consultants engaged by the Regulator to review the procedures for management and control of the Fund.

An Post National Lottery Company

In 2016, no further requests for payment from An Post National Lottery Company in relation to the operation of the National Lottery under the previous National Lottery Licence arose. In 2017, An Post National Lottery Company confirmed that no further payments to it from the Fund would be required in respect of costs under the previous Licence.

Funds for Good Causes

During 2016, €218.9 million was transferred from the Fund to the Exchequer in respect of Good Causes, compared with €193.3 million in 2015. The figure for 2016 included an amount of €7 million previously retained in the Fund to meet transition costs, that was not ultimately required.

Annual Accounts of the National Lottery Fund

The Annual Accounts of the Fund were prepared by the Regulator and submitted to the Comptroller and Auditor General for audit in accordance with Section 44 of the Act. These accounts have been audited and are set out in Section 3 of this document.

1.3.4 Enforcement of Trademarks

The Act provides that the goodwill attaching to the names “*Irish National Lottery*” and “*National Lottery*” and their equivalents in the Irish language and to the name of any lottery game held under the Licence vests in the Minister. Pursuant to section 9(5) of the Act the Regulator may enforce any trademarks relating to the National Lottery.

The Licence permits the Operator to use the National Lottery Trade Mark and Logo subject to a number of conditions which include the following:

- (a) The Operator shall ensure that the National Lottery Logo appears on all play slips and physical tickets, and documents produced by the Operator and made available to players containing information about the National Lottery or any game, and correspondence issued by the Operator;
- (b) The Operator shall not allow any other Person to use a non-National Lottery Trade Mark or Logo in connection with the National Lottery or any National Lottery game;
- (c) Any National Lottery Trade Mark can only be used by the Operator, or any other person approved by the Regulator, in connection with the National Lottery;
- (d) The Operator shall ensure that it does not assign, National Lottery Trade Mark related rights to any other person without the approval of the Regulator;
- (e) The Operator shall only claim such rights as are granted to it under the Licence and not do anything to impede the Minister's registration of its rights; and
- (f) The Operator shall report to the Regulator suspected infringements by a third-party relating to National Lottery Trade Marks.

In 2016, as part of its ongoing activities, the Regulator monitored the usage of National Lottery Trade Marks throughout the year.

In addition, the Regulator conducted a themed review of the Operator's compliance with its trademark obligations under the Licence. No action was required as a result of the review.

1.4 Corporate Affairs

1.4.1 Strategy

During 2015, the Regulator developed a Strategic Plan for the three-year period 2016 to 2018 setting the Mission, Vision, Values and Strategic Objectives. The Regulator continued to develop and enhance the Strategic Plan in 2016 in support of the Strategic Objectives. The Regulator aims to continue to strengthen her role in line with her statutory remit, through the application of forward planning and continuous improvement.

The following statements incorporate the core purpose and strategic focus of the Regulator's Office during 2016.

The Regulator's Vision

The Regulator's vision is a safe, sustainable, properly run National Lottery maximising funds for good causes.

The Regulator's Mission

The Regulator's mission is to achieve this vision by:

- Overseeing the operations of the National Lottery and enforcing compliance as required;
- Considering proposals from the Operator and approving them as appropriate;
- Managing and controlling the National Lottery Fund;
- Exercising the enforcement rights of trademarks of the National Lottery; and
- Ensuring best practice in governance is adopted in the management and governance of the Office.

The Regulator's Values

The Regulator has adopted values for the Office of the Regulator to apply in its activities. These values are to:

- Maintain independence;
- Act always with impartiality and integrity;
- Work in a professional and effective way;
- Meet our unique challenges and be innovative in our approach;
- Maintain transparency in our work; and
- Value our people.

The Office acknowledges the importance of and is guided by its Vision, Mission, and Values.

1.4.2 Corporate Governance

Corporate Governance Code of Practice

The Office were early adopters of the provisions within the Code in relation to the Annual Financial Statements. The governance practice of the Regulators Office is based on the updated Code of Practice for the Governance of State Bodies (“the Code”) which came into effect on 1st September 2016. The provisions within the Code have been adopted as appropriate by the Office in the context of the requirements of the National Lottery Act 2013. Agreement with the Department of Public Expenditure and Reform on our compliance with the Code is pending.

Ethics in Public Office

The Office is included in Statutory Instrument No.36 of 2015 for the purposes of Ethics in Public Office Act, 1995 and 2001. The Regulator and relevant staff have fulfilled their obligations under this legislation.

Protected Disclosures

In accordance with Section 214 of the Protected Disclosures Act, 2014 the Office has established and maintains procedures to make protected disclosures in relation to the Office and its work and for dealing with such disclosures.

In respect of 2016, no disclosures were made to the Office under the Protected Disclosures Act 2014.

1.4.3 Resources and Staffing

Funding

The operations of the Regulator are funded by a levy on the Operator in accordance with Section 24 of the Act. The levy for 2015, the first full year of operations, was €1,500,000. Thereafter it is indexed annually in line with the Consumer Price Index.

The levy for 2016 was €1,495,500

Staff

The Regulator has a sanction for ten staff (including the Regulator) with eight positions filled at the end of 2016.

1.4.4 Annual Report and Accounts

The Annual Accounts of the Regulator for 2016 were prepared and submitted to the Comptroller and Auditor General for audit. These Accounts have been audited and are set out in Section 2 of this document.

The Regulator oversaw the annual financial statements and accounting policy, risk management, internal control and value for money issues.

1.4.5 Internal Audit

The Regulator agreed a programme of internal audits which were conducted in 2016 by Capita, the Office’s appointed internal auditors. A number of separate audits on the internal controls, information governance and ICT were conducted by the internal auditors with reports being submitted to the Regulator. Action plans were prepared by the Regulator’s executive to address audit findings.

1.4.6 Risk Management

The Office in undertaking its role and function, is exposed to a variety of strategic, operational and financial risks. These risks may arise from internal or external sources and may prevent or affect the ability of the Office to achieve its objectives.

In line with best practice, the Office has developed a risk management policy document on identifying, evaluating and managing the risks it faces. An executive Risk Committee has been established; its role is to advise the Regulator on risk matters ensuring that there are adequate systems in place. The Risk Committee monitors and updates the Corporate Risk Register on an ongoing basis. The Committee reviews the Risk Register on an annual basis. High ranking risks, new risks and changing risks on the Risk Register are reviewed a further twice per year.

1.4.7 Legislative Requirements

Official Languages

The Regulator is compliant with the Official Languages legislation.

Freedom of Information

The Regulator came within scope of the Freedom of Information Act 2014 on 14 April 2015. The Office has policies and procedures in place that are up to date with the current legislation governing Freedom of Information requests.

In compliance with Section 8 of the Freedom of Information Act 2014 the Office prepared and published a Publication Scheme having regard to the principles of openness, transparency, and accountability.

The Office received three freedom of information requests during 2016 – one personal request and two non-personal requests. Details of non-personal requests are published in the Regulator's Freedom of Information Disclosure Log published at www.rnl.ie.

Energy Consumption

The Regulator of the National Lottery has one office, which is located in the Irish Life Centre. The office is situated on one floor of a multi occupancy office building. The floor area leased does not exceed 1,000 square metres where a Display Energy Certificate is required.

The Regulator reports on energy performance to the Sustainable Energy Authority of Ireland under SI No 542/2009 – European Communities (Energy End Use Efficiency and Energy Services) Regulations 2009.

In 2016, the Regulator of the National Lottery consumed 28.68 MWh of energy, consisting of:

- 16.33 MWh of electricity and
- 12.35 MWh of fossil fuels (heating)

Appendix: Performance vs PLI's Performance Standards

This information is extracted from a Report provided to the Regulator by the Operator.

Year to 31 December 2016	Standard	Achieved Performance	Forecast for 2017
Computer Systems			
Terminal availability to sell tickets*	99% Availability	99.91%	99.5%
Gaming system availability	99% Availability	99.96%	99.5%
Website availability	99% Availability	99.75%	99.5%
Prize Payment			
Claims greater than €1,000 paid by cheque following a visit to National Lottery HQ	95% within 3 hrs 5% within 20 working days	100%	98% 2%
Claims greater than €1,000 paid by cheque following a postal claim	95% within 5 days 5% within 20 days	100%	98% 2%

* 7am to 10pm, excluding draw break, 7 days a week, excluding Christmas Day and prearranged outages.

Year to 31 December 2016	Standard	Achieved Performance	Forecast for 2017
Player Services – Voice Contact			
Service availability*	99% Availability	100%	100%
Calls answered within 30 seconds	70%	91.09%	90%
Player Services – Written Contact			
Service availability**	99% Availability	100%	100%
Letters answered within 5 working days	80%	93.82%	80%
Emails answered within 2 working days	80%	99.73%	95%
Responses to complaints within 10 working days	95%	100%	95%
Resolution of complaints and enquiries at first attempt	80%	97.8%	95%

* 8am to 8pm, 7 days a week, excluding Christmas Eve, Christmas Day and New Year's Day

** 9:15am to 5:30pm, Monday to Friday, excluding Christmas Eve and public holidays.

Regulator of the National Lottery Financial Statements 2016

General Information

Regulator of the National Lottery	Carol Boate
Address	Block D Irish Life Centre Dublin 1 D01 W2H4
Bankers	AIB plc. 40/41 Westmoreland Street Dublin 2 D02 VY45
Solicitors	Mason Hayes & Curran South Bank House Barrow Street Dublin 4 D04 TR29 Byrne Wallace 87/88 Harcourt Street Dublin 2 D02 DK18
Auditors	Comptroller and Auditor General 3A Mayor Street Upper Dublin 1 D01 PF72

Report of the Comptroller and Auditor General

Regulator of the National Lottery

I have audited the financial statements of the Regulator of the National Lottery for the year ended 31 December 2016 under the National Lottery Act 2013. The financial statements comprise the statement of income and retained revenue reserves, the statement of financial position, the statement of cashflows 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.

Responsibility of the Regulator

The Regulator is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and for ensuring the regularity of transactions.

Responsibility 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

- give a true and fair view of the assets, liabilities and financial position of the Regulator of the National Lottery as at 31 December 2016 and of its income and expenditure for 2016; and
- have been properly prepared in accordance with generally accepted accounting practice.

In my opinion, the accounting records of the Regulator were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

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 if I find

- 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 with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal control does not reflect the Regulator's compliance with the Code of Practice for the Governance of State Bodies, or
- 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.



John Riordan
For and on behalf of the
Comptroller and Auditor General

6 December 2017

Statement of Internal Control

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

The system of internal control can provide only reasonable and not absolute assurance against material error.

The Office of the Regulator of the National Lottery is established under the National Lottery Act 2013 as an individual office holder. Under statute the Office is constituted without a board. The Regulator has adopted a Code of Practice for the Governance of the Office of the Regulator of the National Lottery based on the Department of Public Expenditure and Reform's Code of Practice for the Governance of State Bodies (2016). The monitoring of the effectiveness of the system of internal control is informed by the work of Internal Audit and comments made by the Comptroller and Auditor General in his management letter or other reports.

Key Control Procedures

The key control procedures which have been put in place by the Regulator to provide effective internal control include: -

- an organization structure with clear operating and reporting procedures;
- authorisation limits, segregation of duties and delegated authorities;
- clearly defined management responsibilities have been established throughout the Office and qualified personnel have been employed and duties properly allocated among them;
- processes to identify and evaluate business risks by: -
 - identifying the nature, extent and financial implications of risks facing the Regulator including the extent and categories which she regards as acceptable
 - assessing the likelihood of identified risks occurring
 - assessing the Regulator's ability to manage and mitigate the risks that do occur;
- a budgeting process for the Office approved by the Regulator and monitored monthly;
- a set of policies and procedures relating to operational and financial controls;
- procedures for monitoring the effectiveness of the internal control systems include the work of Internal Audit and management reviews.

Internal Audit considers the Office's control systems by examining financial reports, by testing the accuracy of transactions and by otherwise obtaining assurances that the systems are operating in accordance with the Office's policies and control requirements. Internal Audit reports directly to the Regulator on the operation of internal controls and makes recommendations on improvements to the control environment if appropriate.

The Regulator has a robust framework in place to review the adequacy and monitor the effectiveness of internal controls covering financial, operational, risk management and compliance controls. The Regulator is satisfied that the system of internal control in place is appropriate for the Office.

I confirm that a review of the effectiveness of the system of internal control was carried out in respect of 2016 and completed by 31 March 2017.

I confirm that the Office of the Regulator of the National Lottery is in compliance with current procurement rules and guidelines as set out by the Office of Government Procurement.

Signed by the Regulator of the National Lottery



Carol Boate
Regulator of the National Lottery

5th December 2017

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 such financial statements to the Comptroller and Auditor General for audit and for the presentation of these financial statements and the report of the Comptroller and Auditor General to the Minister, together with a report by the Regulator in relation to the performance of her functions.

Signed by the Regulator of the National Lottery



Carol Boate
Regulator of the National Lottery

5th December 2017

Statement of Income and Expenditure and Retained Revenue Reserves

for the financial year ended 31 December 2016

	Notes	Year ended 31 December 2016 €	Year ended 31 December 2015 €
Income	3	1,495,500	1,500,000
Administration costs	4	(1,050,826)	(700,881)
Operating surplus		444,674	799,119
Interest receivable		129	-
Surplus for the year		444,803	799,119
Retained earnings at the start of the year		906,333	107,214
Retained earnings at the end of the year		1,351,136	906,333

All recognised gains and losses for both the current year and previous period are included in the income statement and arise from continuing operations

Notes 1 to 14 form part of these Financial Statements.



Carol Boate
Regulator of the National Lottery

5th December 2017

Statement of Financial Position

as at 31 December 2016

	Notes	2016 €	2015 €
NON-CURRENT ASSETS			
Property, plant and equipment	8	18,057	24,260
CURRENT ASSETS			
Debtors	9	106,203	1,036,835
Cash and cash equivalents		1,611,253	106,540
		1,717,456	1,143,375
CREDITORS (amounts falling due within one year)			
Creditors and accruals	10	(384,377)	(261,302)
NET CURRENT ASSETS		1,333,079	882,073
NET ASSETS		1,351,136	906,333
REPRESENTED BY			
Accumulated retained earnings	12	1,351,136	906,333

Notes 1 to 14 form part of these Financial Statements.



Carol Boate
Regulator of the National Lottery

5th December 2017

Statement of Cash Flows

for the financial year ended 31 December 2016

	Notes	Year ended 31 December 2016 €	Year ended 31 December 2015 €
Net cash flows from operating activities			
Operating surplus for the year		444,674	799,119
Depreciation	8	10,362	7,771
(Increase) / Decrease in debtors		930,632	(905,328)
Increase / (Decrease) in creditors		123,075	236,029
Net cash inflow from operating activities		1,508,743	137,591
Cash flow from investing activities			
Payments to acquire property, plant and equipment	8	(4,159)	(31,051)
Cash flow from financing activities			
Interest received		129	-
Increase in cash and cash equivalents		1,504,713	106,540
Cash and cash equivalents at the start of the financial year		106,540	-
Cash and cash equivalents at the end of the financial year		1,611,253	106,540

Notes 1 to 14 form part of these Financial Statements.



Carol Boate
Regulator of the National Lottery

5th December 2017

Notes (forming part of the financial statements)

for the year ended 31 December 2016

1. Accounting Policies

The significant accounting policies adopted by the Regulator of the National Lottery are set out below. They have been applied consistently throughout the year and the preceding period.

(a) Statement of Compliance

The financial statements have been prepared in compliance with Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland ("FRS 102") issued by the Financial Reporting Council.

(b) Basis of Preparation

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

(c) 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.

(d) Expenditure Recognition

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

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation, charged to the Statement of Income and Expenditure, 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 1/3% for computer equipment and telephone system, and 20% for all other assets from date of acquisition.

(f) 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 and Expenditure for the year.

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 and Expenditure for the year.

Notes (forming part of the financial statements)

for the year ended 31 December 2016

1. Accounting Policies (continued)

(g) Employee benefits

Short-term benefits

Short-term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Creditors and accruals figure in the Statement of Financial Position.

Retirement benefits

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 is making the necessary deductions from salaries, which are being retained by the Regulator for future transmission to the Department, but not recognised as income. The Regulator is providing for employer contributions at a rate of 25% for non-Single Scheme and at a rate of three times employee contributions for Single Scheme members. 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 FRS 102. See note 11 for further details.

(h) Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Depreciation and Residual Values

The Regulator has reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and has concluded that asset lives and residual values are appropriate.

Notes (forming part of the financial statements)

for the year ended 31 December 2016

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 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.

These financial statements are presented for the year ended 31 December 2016. Comparative amounts are in respect of the year ended 31 December 2015.

Details in respect of the operations of the Regulator and its principal activities are included in the Report of the Regulator in Section 1.

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 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. For 2016, the average Consumer Price Index of -0.3% for the 12 months ended 31 December 2015 as published by the Central Statistics Office on 14 January 2016 was applied by the operator.

	2016	2015
	€	€
Levy income, for the year	1,495,500	1,500,000

4. Administration Costs

	2016	2015
	€	€
Salaries and staff costs (Notes 5 and 6)	661,812	321,908
Professional fees (Note 7)	139,438	164,549
Audit	19,729	21,980
Rent, service charges and maintenance	119,592	105,444
Cleaning, heat and light	5,381	3,798
Insurances	21,117	5,443
Travel and subsistence	1,288	2,106
Recruitment costs	(335)	30,998
Training costs and memberships	14,555	8,514
Office supplies and equipment	15,437	11,203
Information and communication technology	29,782	14,738
Publications	6,357	-
Depreciation	10,362	7,771
Other administration costs	6,311	2,429
	1,050,826	700,881

Of the travel and subsistence total disclosed above, €144 is in respect of national travel and €1,144 is in respect of international travel. Included in other administration costs for 2016 is an amount of €217 in respect of hospitality.

Notes (forming part of the financial statements)

for the year ended 31 December 2016

5. Salaries and Staff Costs

In respect of the six key management personnel, the aggregate compensation for the year was as follows:

	€
Salaries and short term employee benefits	445,640
Post-employment benefits	89,493
Termination benefits	-
Total compensation to key management	535,133

Attention is also drawn to Note 6 – Regulator's Remuneration.

The number of employees earning in excess of €60,000 in the year was as follows:

Range of Total Employee Benefits (excluding employer pension costs)

From €	To €	Number of Employees	
		2016	2015
60,000	- 69,999	2	-
70,000	- 79,999	1	-
80,000	- 89,999	1	-
90,000	- 99,999	-	-
100,000	- 109,999	-	-
110,000	- 119,999	1	1

The aggregate amount of total compensation paid to employees in 2016, including employer contributions to pension of €87,732 (2015: €59,257), was €609,782 (2015: €298,140). The number of Whole Time Equivalent staff employed by the Regulator's Office (including the Regulator) in 2016 was 9 (2015: 7).

6. Regulator's Remuneration

The Regulator's salary for 2016 was €113,697 (2015: €113,081). Employer's PRSI in respect of the Regulator was €11,229 (2015: €11,121). The Regulator received travel and subsistence expenses of €518 (2015: €1,018) and €nil (2015: €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 2016.

7. Professional Fees

	2016 €	2015 €
Legal services	72,161	49,895
Tax and financial advisory	15,528	63,950
Public relations/marketing	29,520	19,560
Pensions and human resources	1,755	-
Lottery consultancy	10,962	-
IT and Other	9,512	31,144
	139,438	164,549

All amounts disclosed as legal services above are in respect of legal fees.

Notes (forming part of the financial statements)

for the year ended 31 December 2016

8. Property, plant and equipment

	Computer Equipment	Office Fitting, Furniture & Equipment	Telephone System	Total
	€	€	€	€
Cost				
At 31 December 2015	21,984	5,893	4,182	32,059
Additions during year	4,159	-	-	4,159
Disposals during year	-	-	-	-
At 31 December 2016	26,143	5,893	4,182	36,218
Depreciation				
At 31 December 2015	6,676	310	813	7,799
Charge for year	7,790	1,178	1,394	10,362
Depreciation on disposals	-	-	-	-
At 31 December 2016	14,466	1,488	2,207	18,161
Net Book Value				
At 31 December 2016	11,677	4,405	1,975	18,057
At 31 December 2015	15,308	5,583	3,369	24,260

9. Debtors

	2016	2015
	€	€
Accrued income	85,793	1,016,123
Prepayments	18,205	18,972
Travel Cards	1,979	1,572
Cycle to Work	226	168
	106,203	1,036,835

Notes (forming part of the financial statements)

for the year ended 31 December 2016

10. Creditors (amounts falling due within one year)

	2016	2015
	€	€
Trade creditors and accruals	126,532	157,582
Pension provision (Note 11)	187,066	74,074
Sundry creditors/ Visa Card	217	243
PAYE/PRSI	21,602	15,761
Pension Levy	41,803	12,768
Union deductions	212	322
PSWT Liability	5,829	-
VAT liability	1,116	552
	384,377	261,302

11. Pension provision

A draft defined benefit pension scheme for the Office of the Regulator, based on the Public Service Model, was submitted to the Department of Public Expenditure and Reform for approval on 24th November 2015 and is awaiting approval. The contributions in the year, including employer contributions of 25% of pensionable pay for non-Single Scheme and of three times employee contributions for Single Scheme members, are charged to the Statement of Income and Expenditure. 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.

12. Accumulated Retained Earnings

	2016
	€
At beginning of year	906,333
Surplus for year	444,803
Retained earnings at the end of the year	1,351,136

13. Capital Commitments

There were no commitments for capital expenditure at 31 December 2016.

14. Approval of Financial Statements

The financial statements were approved by the Regulator of the National Lottery on 5th December 2017.

National Lottery Fund Financial Statements 2016

National Lottery Fund

Report of the Comptroller and Auditor General

National Lottery Fund

I have audited the National Lottery Fund for the year ended 31 December 2016 under the National Lottery Act 2013. The financial statements comprise the account of receipts and payments, the reserve account and related notes. The financial reporting framework that has been applied in their preparation is the format specified by the Minister for Public Expenditure and Reform in accordance with Section 22 of the Act.

Responsibilities of the Regulator of the National Lottery

The Regulator is responsible for the preparation of the financial statements in the specified format 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 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 account

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 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.

Opinion on the account

In my opinion, the financial statements properly reflect

- the payments into and out of the National Lottery Fund for 2016, and
- the balance of the Fund at 31 December 2016.

In my opinion, the accounting records of the Regulator were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

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 if I find

- 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 statement on internal financial control does not reflect the Regulator's compliance with the Code of Practice for the Governance of State Bodies, or
- 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

6 December 2017

National Lottery Fund

Statement of Internal Control

As Regulator of the National Lottery, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated in respect of the National Lottery Fund. The system of internal control can provide only reasonable and not absolute assurance against material error.

The Office of the Regulator of the National Lottery has responsibility to monitor and control the operations of the National Lottery Fund. The Office is established under the National Lottery Act 2013 as an individual office holder. Under statute the Office is constituted without a board. The Regulator has adopted a Code of Practice for the Governance of the Office of the Regulator of the National Lottery based on the Department of Public Expenditure and Reform's Code of Practice for the Governance of State Bodies (2016). The monitoring of the effectiveness of the system of internal control is informed by the work of Internal Audit and comments made by the Comptroller and Auditor General in his management letter or other reports.

Key Control Procedures

The key control procedures which have been put in place by the Regulator to provide effective internal control in respect of the National Lottery Fund include: -

- an organisation structure with clear operating and reporting procedures;
- authorisation limits, segregation of duties and delegated authorities to approve and process transactions of the National Lottery Fund;
- a system to facilitate the recording and reconciliation of all transactions and to provide a complete audit trail of transactions processed;
- processes to identify and evaluate business risks by: -
 - identifying the nature, extent and financial implications of risks facing the National Lottery Fund including the extent and categories which the Regulator regards as acceptable
 - assessing the likelihood of identified risks occurring
 - assessing the Regulator's ability to manage and mitigate the risks that do occur;
- weekly monitoring and reconciliations of amounts processed in the National Lottery Fund;
- a set of policies and procedures relating to operational and financial controls;
- procedures for monitoring the effectiveness of the internal control systems include the work of Internal Audit and management reviews.

Internal Audit considers the Fund's control systems by examining financial reports, by testing the accuracy of transactions and by otherwise obtaining assurances that the systems are operating in accordance with the Fund's policies and control requirements. Internal Audit report directly to the Regulator on the operation of internal controls and make recommendations on improvements to the control environment if appropriate.

The Regulator has a robust framework in place to review the adequacy and monitor the effectiveness of the Fund's internal controls covering financial, operational, risk management and compliance controls. The Regulator is satisfied that the system of internal control in place is appropriate for the Fund.

I confirm that a review of the effectiveness of the system of internal control was carried out in respect of 2016 and completed by 31 March 2017.

I confirm that the National Lottery Fund is in compliance with current procurement rules and guidelines as set out by the Office of Government Procurement.

Signed by the Regulator of the National Lottery



Carol Boate
Regulator of the National Lottery

5th December 2017

National Lottery Fund

Account of Receipts and Payments

for the year ended 31 December 2016

	Note	2016		2015	
		€'000	€'000	€'000	€'000
Received from the operator	4		462,451		411,284
less:					
Paid to the operator in respect of:	5				
Prizes		180,045		158,079	
Operator's entitlement		68,961	249,006	74,085	232,164
			213,445		179,120
less:					
Paid to the Regulator in respect of Regulator Levy	10		2,426		615
			211,019		178,505
Investment Interest Received/(Paid)	6		(202)		(129)
			210,817		178,376
Transferred to the Central Fund	7		(218,957)		(193,369)
Increase/(Decrease) in Investment transferred to (from) Reserve			(8,140)		(14,993)

RESERVE ACCOUNT

	Note	2016	2015
		€'000	€'000
Balance on deposit at 1 January		42,264	57,257
Increase/ (Decrease) in Investment		(8,140)	(14,993)
Balance on deposit at 31 December	6	34,124	42,264
less:			
Net balance due to An Post National Lottery Company	8	0	(616)
Balance retained in respect of historic expired prizes	9	(16,092)	(16,092)
Liability for Regulator Levy	10	(86)	(1,017)
Balance available for distribution through the Central Fund	7	17,946	24,539

Notes 1 to 13 form part of these Accounts



Carol Boate
Regulator of the National Lottery

5th December 2017

National Lottery Fund

Notes to the Accounts

1. The National Lottery

The National Lottery, established in 1986, continues in accordance with the National Lottery Act 2013 (“the Act”). On 30 November 2014 Premier Lotteries Ireland Limited (“PLI”), an Irish registered company, commenced as operator under a licence (“the Licence”) for 20 years granted by the Minister for Public Expenditure and Reform on 27 February 2014.

2. The National Lottery Fund

The National Lottery Fund (“the Fund”), established under the National Lottery Act 1986, continues in being by virtue of Section 44 of the National Lottery Act 2013. Under Section 7 of the Act, the Regulator of the National Lottery was appointed by the Minister for Public Expenditure and Reform and in accordance with Section 44 of the Act, the Regulator manages and controls the Fund.

The Fund receives proceeds of the National Lottery from the operator and pays amounts in respect of prizes, Regulator’s annual levy and the operators’ entitlements under the licences. The Regulator transfers funds, at intervals determined by the Minister, to the Exchequer (after appropriate provision for prospective or contingent liabilities) for application for the purposes set out in the Act. The amounts due to Good Causes are calculated as laid out in the Act and the Licence as being 65% of gross gaming revenue.

In accordance with clause 6.2 of the Licence, the Regulator operates the National Lottery Fund account in the Central Bank of Ireland.

3. Accounts of the Fund

The accounts detail amounts paid into and by the Fund during the year under review together with an analysis of the balance held at the year end. Under Section 44 of the National Lottery Act 2013, the accounts of the Fund are required to be audited by the Comptroller and Auditor General, and a copy of an abstract of the accounts so audited together with a copy of the report of the Comptroller and Auditor General thereon is to be laid by the Regulator before each House of the Oireachtas.

4. Amounts received from the operator

As required by the Act amounts received from the operator comprise ticket sales proceeds less retailers’ remuneration and small prizes.

Amounts received from the operator were €462 million in 2016 (2015: €411 million). The increase in amounts received is consistent with an increase in the level of sales of Lottery products by PLI for 2016.

5. Amounts paid to the operator

The amounts paid to the operator were €249 million in 2016 (2015: €232 million), being €180 million in respect of prizes payments (2015: €158 million) and €69 million in respect of operator’s entitlement (2015: €74 million).

Payments to the operator in respect of operator’s entitlement are calculated based on the terms of the Licence.

National Lottery Fund

Notes to the Accounts

6. Investments of the Fund

All moneys of the Fund are held in a deposit account maintained at the Central Bank of Ireland. Negative interest has been charged on this account since June 2014. This arises from an ECB Decision (EC/2014/23) relating to the remuneration of deposits, balances and holdings of excessive reserves, which affects the remuneration of government deposits at National Central Banks. Interest is calculated on a daily basis, and paid twice yearly. The estimated interest accrued and unpaid by the Fund at the year-end amounted to €59,651.

7. Transfers to the Central Fund

Following provision for current liabilities of the Fund and any prospective or contingent liabilities, the Regulator arranges the transfer of funds during the year, at intervals determined by the Minister, from the National Lottery Fund to the Central Fund. The allocation of Central Fund moneys to beneficiaries is voted by the Oireachtas through the annual Estimates process and moneys are issued during the year and accounted for through the Appropriation Accounts.

8. Net Balance due to An Post National Lottery Company ("APNLC")

The transfers between APNLC (previous operator) and the National Lottery were made on a day-to-day basis up to 29 November 2014 (date on which APNLC ceased to operate the National Lottery), based on the cash position.

Following transfer of operations to PLI (new operator) an amount of €0.6 million was estimated as the residual amount due to APNLC at 31 December 2015. APNLC has since confirmed that the amount being held in respect of potential APNLC liabilities will no longer be necessary. This resulted in a reduction on this restriction of funds at 31 December 2016 to nil.

9. Balance retained in respect of historic expired prizes

At 31 December 2016, an amount of €16.092 million continues to be recognised as a restriction on funds available for distribution. This amount is in respect of expired prizes arising under the previous licence with APNLC. As this relates to expired prizes at the transition to the Licence there is no increase in this amount.

The availability of these funds for distribution is restricted pending determination of the liability for this amount. The determination is subject to ongoing consultation by the Regulator with the Department of Public Expenditure and Reform and with PLI.

Expired unclaimed prizes under the Licence are used by PLI for National Lottery promotional activities in accordance with clause 6.9 of the Licence to operate the National Lottery.

National Lottery Fund

Notes to the Accounts

10. Liability for Regulator Levy

In accordance with the National Lottery Act 2013, the licence provides for the payment by PLI of an annual levy to the Regulator to meet expenses properly incurred by the Regulator. Such amounts are deducted from payments to PLI and are retained in the Fund for payment to the Regulator. The amount due to the Regulator at 31 December 2016 is €85,793.

11. Net balance between Premier Lotteries Ireland Limited ("PLI") and the Fund

As the Accounts are presented on a receipts and payments basis no provision is made for any balance between PLI and the Fund at 31 December 2016. Determination of any such amounts is subject to ongoing discussions by the Regulator with PLI and the Department of Public Expenditure and Reform. Settlement of any such amounts will be made when determined.

12. Audit fee

The audit fee for 2016 and for subsequent years is to be paid by the Office of the Regulator of the National Lottery. The audit fee for 2016 is €5,000.

13. Approval of the National Lottery Fund Account

The National Lottery Fund Account in respect of the year ended 31 December 2016 was approved by the Regulator on 5th December 2017.



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