



Rialálaí an Chrannchuir Náisiúnta  
Regulator of the National Lottery

ANNUAL REPORT AND ACCOUNTS

2018



# Contents

1.	Report on Operations pursuant to Section 22(3) of the National Lottery Act 2013	3
1.1	Regulator's Statement	4
1.2	Management Team	5
1.3	Functions of the Regulator	6
1.4	Oversight of the Operator	7
1.4.1	<i>National Lottery Operations and Funds for Good Causes</i>	9
1.4.2	<i>Player Protection</i>	11
1.4.3	<i>Responsible Marketing Communications and Advertising</i>	14
1.4.4	<i>Complaints Received</i>	15
1.4.5	<i>Themed Compliance Reviews</i>	16
1.4.6	<i>Enforcement</i>	16
1.5	Regulatory Requests under the Act and the Licence	17
1.6	National Lottery Fund	19
1.7	Enforcement of Trademarks	21
1.8	Corporate Affairs	22
1.8.1	<i>Strategy</i>	22
1.8.2	<i>Corporate Governance</i>	23
1.8.3	<i>Resources and Staffing</i>	24
1.8.4	<i>Annual Report and Accounts</i>	24
1.8.5	<i>Internal Audit</i>	24
1.8.6	<i>Risk Management</i>	24
1.8.7	<i>Legislative Requirements</i>	25
	Appendix A: PLI's Performance Standards	26
	Appendix B: Regular Reports Received from the Operator	27
	Appendix C: Requests for Approval or Consent under the Licence	28
2.	Regulator of the National Lottery - Financial Statements and Report of the Comptroller and Auditor General pursuant to Section 22(2) of the National Lottery Act 2013	31
3.	National Lottery Fund - Financial Statements and Report of the Comptroller and Auditor General pursuant to Section 44(4) of the National Lottery Act 2013.	53



# 1. Regulator of the National Lottery

## Report on Operations pursuant to Section 22(3) 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 2018.

In 2018, €224.6 million was transferred from the National Lottery Fund to the Exchequer to support Good Causes. This amount was marginally less than the previous year (€226.8 million), the first such decrease under the new licence since commencement in 2014 (see also Section 1.4.1).

The first ever independent research into the retail sector's compliance with rules governing the sale of National Lottery products to under 18s was conducted by Ipsos MRBI in 2018 on behalf of the Regulator. The mystery shop exercise revealed that the level of compliance within the retail sector was not good enough. The Regulator then engaged with the Operator of the National Lottery to ensure swift action was taken to improve compliance by retailers in this key area. The findings give the Regulator an important baseline measure from which to assess the impact of future actions to be taken by the Operator to ensure that all retailers comply with their obligations.

Regular monitoring of the Operator's marketing communications in 2018 led to findings of two breaches of the Advertising and Promotion Code of Practice. One was a marketing email issued in error to non-subscribers; the other was a media release that breached the standards. The Operator improved its controls on issuing marketing emails and, in response to an instruction from the Regulator, withdrew the non-compliant media release.

Regular monitoring of the use of National Lottery trademarks by third parties (other than the Operator) led to the exercising of powers in this area for the first time following two incidents of suspected infringement. The Operator was directed by the Regulator to take measures to protect the trademarks. Cease and desist letters were issued by the Operator to two third parties and no enforcement action was required.

Several themed reviews of aspects of the operations of the National Lottery were conducted in 2018, specifically in the areas of retailer fraud prevention, required clauses in the Operator's contracts with certain third-party suppliers, and the use of National Lottery trademarks by the Operator. The Regulator also monitored the progress of improvements in the Operator's player protection measures.

On 24 April 2018, the Regulator made a presentation to and addressed questions from the Oireachtas Joint Committee on Finance, Public Expenditure and Reform and Taoiseach.

I would like to acknowledge the work and commitment of my colleagues in the Office of the Regulator of the National Lottery in respect of 2018. Their diligence and continual drive to find new and improved ways of fulfilling our role is reflected in the pages of this report.

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



**Ms Carol Boate**  
*Regulator of the National Lottery*

Ms Boate is an experienced advocate 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 Mary McNabola**  
*Corporate Affairs Manager*

Ms McNabola, the newly appointed Corporate Affairs Manager commenced on 2 January 2019. Ms Suzanne Lambe was Corporate Affairs Manager until her resignation in April 2018. Pending the completion of a recruitment process to replace her, Mr Ray Mooney, an experienced corporate services professional with a history of working in the public sector, filled the role as acting Corporate Affairs Manager. Ms Mary McNabola was recruited and appointed as Corporate Affairs Manager in 2018 and commenced in January 2019. Ms McNabola, an experienced public sector corporate services professional, previously held positions with the National Disability Authority and the Dublin Docklands Development Authority.



**Ms Siobhan Phillips**  
*Head of Player Protection and Research*

Ms Phillips is a Chartered Psychologist with the Psychological Society of Ireland and holds M.Sc., H. Dip and BA degrees in Psychology. Prior to joining the Office of 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 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 a 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 the legal and compliance units in a large insurance company and in a leading law firm.



**Mr David Scott**  
*Accountant*

Mr Scott is a Fellow 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 Office of 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

*A safe, sustainable, properly run National Lottery maximising funds for good causes*

The Regulator of the National Lottery's vision is for a safe, sustainable, properly run National Lottery maximising funds for good causes. The functions of the Regulator, which support this vision, are prescribed in the National Lottery Act 2013 and include the following:

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

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, 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 has no role in relation to applications for, or allocation of, funds for Good Causes. Applications for funding should be directed to the relevant Government Department.



## 1.4 Oversight of the Operator

The Office of the Regulator of the National Lottery (ORNL) monitors and enforces compliance by Premier Lotteries Ireland DAC (PLI), the Operator, with the National Lottery Act 2013 and with the terms and conditions of the Licence granted to it to operate the National Lottery. The Licence cannot be amended by the Regulator except with the agreement of the Operator.

The ORNL fulfils this function through regular and proactive oversight of the Operator. This oversight includes:

- a. Monitoring the performance of the Operator
- b. Various reports received from the Operator
- c. Real time access to data from the Operator's systems
- d. Regular meetings with the Operator
- e. Oversight of processes and controls applied by the Operator
- f. Monitoring of marketing and PR activities of the Operator
- g. Complaints from the public, themed reviews and investigations.

### *Monitoring and enforcing compliance with the Act and the Licence*

#### (a) Monitoring the performance of the Operator

The performance of the Operator is monitored regarding projected standards to be achieved in each year. In 2018, the Operator fell short of the 95% standard of resolving customer complaints within 10 working days – achieving 94%. The Regulator sought and received explanations and reviewed the details of the relevant 6% not resolved within the specified timeframe (10 complaints). The Operator committed to review its approach to resolving complaints to ensure that the specified performance standard is achieved. See Appendix A for extracts from the 2018 annual performance standards report from the Operator.

#### (b) Various reports received from the Operator

Thirty-one different types of reports were received on a regular basis from the Operator in 2018 (see Appendix B). These cover various aspects of the business, including finance, governance, technology, customer service and game performance.

Each report is reviewed by the ORNL and may be cross referenced against other information sources. Based on this review, any matters requiring explanation are addressed with the Operator and further information is requested and obtained or action taken, as required.

### (c) Real-time access to data from the Operator's systems

The ORNL has real time access to the gaming system operated by the Operator. This allows the ORNL to monitor, for example:

- The sales performance of games, individually and by category
- The numbers of top prizes claimed by game and the number remaining unclaimed
- The percentage of unclaimed prizes by game
- The commission payable to retailers
- Adjustments (e.g. for cancelled or damaged tickets) entered on the Gaming System
- The termination of games and replacement with subsequent iterations.

This information is cross referenced against the reports provided by the Operator, as noted above.

The ORNL also has access to the Independent Verification System which the Operator is required to operate under the Licence. The Independent Verification System operates as a control and is balanced by the Operator with the Gaming System prior to the selection of numbers in all draw-based games.

The ORNL also has real time access to the Operator's Prize Bank Account and monitors the payment of prizes, the transfer of amounts to and from the Prize Bank Account, and the balance available in the Prize Bank Account from time to time.

### (d) Regular meetings with the Operator

Regular meetings with key personnel of the Operator are scheduled on a recurring basis, with additional ad-hoc meetings arranged as required.

- Fortnightly and monthly recurring meetings provide avenues for effective communication between the ORNL and the Operator and timely oversight of all current and planned activity.
- Quarterly and annual meetings are scheduled for structured oversight of specific periodic matters, including annual engagement with the Board of the Operator.
- Ad-hoc meetings are held to address specific matters arising from time to time, as necessary.

Forty-two regular meetings were held by the ORNL with Operator personnel in 2018. In addition, ad-hoc meetings addressing specific matters were held as required.

### (e) Oversight of processes and controls applied by the Operator

The ORNL monitors the processes and controls employed by the Operator in the operation of the National Lottery. This oversight includes monitoring of:

- Governance structures within the Operator
- Fitness and probity of directors and senior management
- Regular transfers to the National Lottery Fund (see section 1.6 below)
- Controls in place in respect of operations including holding of draws and operations of games, payment of prizes, use of expired unclaimed prizes, security, information technology, quality control, accounting and reporting
- Operation of internal audit function
- Third party certification in respect of controls and processes.

## (f) Monitoring of marketing and PR activities of the Operator

The Advertising and Promotion Code of Practice prescribes several standards that the Operator must adhere to when promoting the National Lottery. The ORNL monitors the advertising campaigns, media releases, social media and other marketing and PR activities undertaken by the Operator to see if they comply with the provisions of the Code and to ensure effective action is taken should any breaches be found.

The appointment by the Operator of a third-party to perform advertising services is subject to approval by the Regulator, having assessed the fitness and probity of the proposed third-party.

## (g) Complaints from the public, themed reviews and investigations

In 2018, the Regulator received 34 complaints from members of the public (see section 1.4.4) and conducted three themed reviews (see section 1.4.5):

- The Operator's compliance with its trademark obligations
- Anti-Fraud – Payment of Prizes by Retailers
- Operator contracts review.

### 1.4.1 National Lottery Operations and Funds for Good Causes

The Operator reported that more than 1.3 million people played National Lottery games on a regular basis in 2018. This represents approximately 37% of adults in Ireland.

As reported by the Operator, ticket sales for 2018 amounted to €805.0 million (2017: €800.2 million). Sales for draw based games were €537.3 million (2017: €558.8 million), while sales for instant games (scratch-card and interactive instant win games) were €267.7 million (2017: €241.4 million). Thus, the mix of sales in 2018 differed significantly from 2017: sales of draw based games fell and sales of instant games grew.

During the year, the retail channel grew by 3% to 5,842 outlets (2017: 5,663). Online sales grew by approximately 18.6% and represented 7.7% of total sales (2017: 6.5%).

Returns generated for Good Causes continued to grow. The Operator's accounts show that the returns generated for Good Causes increased by 1% to €228.5 million (2017: €226.3 million).

Changes in the annual prize pay-out percentage, due to changes in the product sales mix, impacts on amounts generated for Good Causes. A summary for the years 2015 (first full year of operation under the new Licence) to 2018, from Operator's accounts, is as follows:

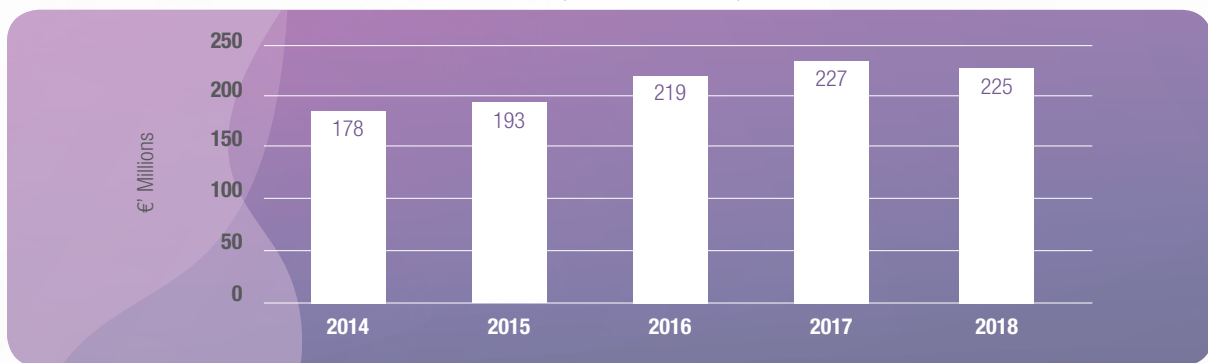
<i>Year</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
<b>Sales</b>	€670.4m	€750.2m	€800.2m	€805.0m
<b>Prize pay-out %</b>	56.85%	56.25%	56.49%	56.35%
<b>Generated for Good Causes</b>	€188.0m	€213.3m	€226.3m	€228.5m

The total amounts transferred from the National Lottery Fund by the ORNL to the Exchequer for distribution to Good Causes in 2018 was €224.6 million (2017: €226.8 million), a decrease of 1% on 2017.

The returns to Good Causes **generated** by the Operator in 2018 relate to ticket sales recorded in that calendar year, i.e. 1st January to 31st December 2018. Funds for Good Causes **transferred** to the Exchequer during 2018 (which are on a cash receipts basis) relate to monies earned from ticket sales in the 52-week period from 17th December 2017 to 15th December 2018.

Amounts transferred from the National Lottery Fund to the Exchequer for distribution to Good Causes (pursuant to section 44 of the National Lottery Act 2013, for the purposes set out in Section 41) in the years from 2014, the year in which PLI commenced to operate the National Lottery, to 2018 were as set out in the figure below.

Amounts Transferred from National Lottery Fund to Exchequer for Good Causes in €'millions



*The amount transferred for Good Causes in 2016 of €219million included €7 million in respect of historical sums carried forward in the National Lottery Fund.*



## 1.4.2 Player Protection

### *Informed consumer interactions with the National Lottery that minimise risk to participants*

A statutory objective of the Regulator is that the interests of the participants in the National Lottery are protected. Included in this objective is monitoring how the Operator is protecting:

- Those who are underage (defined for the purposes of the National Lottery as under 18 years of age)
- Players with a susceptibility to excessive or problem play

While many people enjoy and engage safely in National Lottery activity, certain groups or individuals can be more vulnerable or susceptible to problem play. The ORNL recognises that there are features of games and of the gaming environment (whether online or via retail outlets) that can drive risky patterns of play, amplifying player risks, particularly for certain groups of players. There are multiple factors involved in causing and preventing gaming problems, involving an interplay between the person, the product (game) and the gaming environment.

A key goal of the Regulator is that players of National Lottery games should experience informed consumer interactions with the National Lottery that minimise risk to participants. Measures in place to achieve this goal include controls on the content of marketing communications of the National Lottery, controls on the purchase of National Lottery game tickets, and a thorough assessment of the level of risk attached to each new game proposed.

### Regulatory Oversight

Prevention of problem and underage play is pursued by the Regulator through:

- Reviewing the Operator's procedures and sales environments
- Researching and identifying processes and practices that have demonstrated effectiveness in preventing or minimising risk
- Assessing level of risk attached to new games proposed by the Operator. (This function is discussed further in Section 1.5 of this report.)

### Controls for Online Play

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

- Registration
- Limits on spending
- Self-exclusion options
- 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



These controls, together with preventative, responsible gaming measures as envisaged by Clause 10 of the Licence, properly applied, provide support in the prevention of problem and underage gaming.

In respect of online underage play, the online controls in place in 2018 meant that minors were not permitted to register to play online. It is possible minors could (in breach of the game rules) have registered using a false age and played online. However, they would have to be able to prove their age in order to claim a large prize or withdraw large sums and this would be expected to dissuade them from playing. Age checks conducted by the Operator since the start of the Licence have identified one case where the account holder registered when under-age.

In addition to the controls applied under Schedule 9, the Operator identifies patterns of activity that may be indicative of problem play and interacts with the player in order to raise his/her awareness of available supports, including facilities to set spending limits, self-exclusion, and third-party support services.

The ORNL is provided with quarterly anonymised data on online game purchases. This data allows the ORNL to, on an anonymised basis:

- Monitor player spend and frequency of gaming on game types
- Monitor the use of the self-exclusion facility
- Monitor player spend behaviour over time

The Operator also provides the Regulator with quarterly Player Protection reports. These reports provide data and the Operator's analysis of player spending, including where players have repeatedly reached the online spend limits imposed by the Licence, namely €75 per day, €300 per week and €900 per month.

The application of controls for online play is subject to continual 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.

## Underage Play

In 2018 the Regulator commissioned research from IPSOS MRBI - the first of its kind in Ireland - to examine the retail sector's compliance with rules governing the sale of National Lottery products to under 18s:

- Not to sell National Lottery tickets to persons under 18 years of age.
- To ask anyone who is not clearly 18 years or over for ID.
- To display the mandatory 'Over 18' sign in a visible location.

The Report from Ipsos MRBI was published on the Regulator's website and the key points are as follows:



The Sale of National Lottery Tickets to Anyone Under 18 Years of Age is Prohibited.  
Visible Display of 'Over 18' Signage is Mandatory.



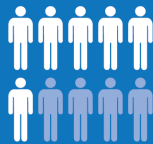
**510** Retail Premises were Tested



**27%** of Premises Did Not Display the Mandatory 'Over 18' Signage.



**63%** of Test Purchases were Challenged (were asked their age/or for ID)



**6** out of **10** Test Purchases were Refused

**Source: Ipsos MRBI**

**Test Purchasing Exercise on Under-age Purchase of National Lottery Products in Retail Premises**

To ascertain whether, and to what extent, minors may be successfully purchasing tickets from retail agents, the ORNL commissioned a second piece of research - a series of questions in the first Irish Children's Omnibus survey conducted by Ipsos MRBI in August 2018. Ipsos MRBI asked a nationally representative sample of 1,005 children, from age 10 to 17 years old, whether they had ever purchased National Lottery tickets themselves with their own money (in the Mystery Shop exercise above, the attempted purchases were abandoned such that there was no actual sale). Just under 4% of children responded that they had purchased National Lottery Tickets themselves with their own money.

Based on the combined findings of these complementary research exercises, the Regulator considered that the level of compliance in the Retail Sector was not good enough. Almost four out of 10 test purchases were not challenged by the retailer. The Regulator published the findings, in January 2019, to drive awareness among the retailers and the public that these products are not to be sold to children and that there is a regulator overseeing this. The Regulator is engaging with the Operator to ensure that swift action is taken so that all retailers comply in full with their obligations and that the Operator significantly improves its future monitoring of retailers selling National Lottery products. The findings provide an important baseline measure from which to assess the impact of future actions to be taken by the Operator to improve compliance by retailers in this key area.

The Omnibus survey also found that of the 1,005 children aged 10 to 17, outlined above, two of the minors responded that they had previously played National Lottery games online using their own money. The Regulator engaged with the Operator in respect of standards online and the Operator commenced testing new initiatives in this regard. The ORNL continues to monitor the development and effectiveness of such initiatives and to analyse online age controls as part of its player protection remit.

### 1.4.3 Responsible Marketing Communications and Advertising

The ORNL regularly monitors the Operator's website, advertising, PR, and other marketing communications to ensure that it follows responsible advertising and gaming practices. The information provided must be transparent, accessible, and not misleading. Players should not intentionally or unintentionally be exposed to risks likely to result in underage or problem play.

During 2018, the Regulator engaged with the Operator in respect of upholding standards in the Advertising and Promotion Code of Practice and determined that there were two instances where the Operator breached the Advertising and Promotion Code of Practice, as outlined below.

#### Direct Marketing – Email Notification

On 17 November 2017 an Incident Report was submitted to the ORNL by the Operator which stated that “[c]ontacts were sent a jackpot notification email despite having opted out via the website of receiving emails”. The Operator stated that “the issue arose due to human error”.

The Regulator notified the Operator in 2018 that, by sending this marketing communication to opted-out customers it had failed to comply with Standard 19 of the Advertising and Promotion Code of Practice:

*“All Marketing Communications and PR activities shall ensure that no unsolicited telephone calls or other forms of direct or personal communication are made with a view to encouraging the purchase of Tickets in a National Lottery Game.”*

The Operator improved its controls on issuing marketing emails to reduce the risk of such an error reoccurring. No further action was required.

#### Media Release

In June 2018, the Regulator wrote to the Operator regarding a media release from the Operator. The media release described a winner who had previously been “under huge financial pressure” and was always “looking for ways to save money and do overtime”. It further detailed how the winner spoke of “how tight finances have been...like a lot of families all over the country”. Following careful consideration of the Operator's submission on the media release, the Regulator determined that the media release failed to comply with the following requirement of the Advertising and Promotion Code:

*“Marketing Communications and PR activities should not exploit an individual's financial anxieties or personal difficulties nor present winning in a way that is seen to be a way out of financial difficulties or as an alternative to work” (Standard 9).*

The Operator complied with the Regulator's instruction to remedy the breach within 14 days of the notification by removing the media release from its media database and adopting a more conservative approach in communicating the impact the win has on players who are in fact, in financial difficulty.

## 1.4.4 Complaints Received

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, and/or with the Regulator.

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.

Details on how to complain to the Regulator and the complaints process are set out in the Regulator's website at <http://www.rnl.ie/player-information/complaints-procedure/>

When the ORNL receives a complaint from a member of the public, it must be considered from a regulatory perspective and 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.

Summary of complaints received by the Regulator in 2018 and Action Taken

Subject Matter of Complaints	Numbers
Equipment in retailers not functioning	2
Retailer Complaint	2
Online Experience	9
Game Design / Price	7
Expired Scratch-cards	5
Information Provided	5
Quality of materials	1
Not related to the National Lottery	3
<b>Total</b>	<b>34</b>
Action Taken by Regulator	Numbers
This Office responded directly	14
The Operator responded after contact from this Office	11
Ongoing complaints at 31 December 2018	9
<b>Total</b>	<b>34</b>



## 1.4.5 Themed Compliance Reviews

During 2018 the Regulator conducted the following themed compliance reviews:

### 1. Trademarks

In 2018, the Regulator conducted a themed review of the Operator's compliance with its trademark obligations under the Licence.

The Regulator also monitored the usage of National Lottery trademarks, by the Operator, throughout the year, as part of its ongoing activities. No action was required as a result of these activities.

### 2. Anti-Fraud Review – Payments of Prizes by Retailers

During 2018 the ORNL conducted a review to assess the risk of a retailer fraudulently failing to pay out a prize and to identify the Operator's controls to manage the risk of retailer prize payment fraud.

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"*. This is a broad concept and includes anti-fraud and related matters contained in the Act and the Licence. Fraud could also impact adversely on the protection of players' interests and the long-term sustainability of the National Lottery. The Operator is obliged under the Licence to immediately report suspected fraud to the ORNL. No action was required as a result of this review.

### 3. Contracts Review

Clause 18.3 of the Licence provides that several functions may not be carried out by a party other than the Operator without the Regulator's prior written consent. During 2018 a review took place of the Operator's contracts to ensure that all approved contracts under Clause 18.3 of the Licence contained the relevant provisions required by the Licence. No action was required as a result of this review.

## 1.4.6 Enforcement

Part 6 of the Act relates to investigations. Section 32 of the Act allows the Regulator to appoint an investigator to investigate an apparent breach of the Act or the Licence. Section 33 allows the Regulator to issue 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 compelling compliance with the Act or the Licence or co-operation with an investigation. Sections 34 and 35 allow the Regulator to 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 April 2017, the Regulator determined that the Operator had breached the terms and conditions of the Licence pertaining to self-exclusion. The Regulator directed the Operator to comply with Paragraph 6 of Schedule 9 of the Licence and the Operator confirmed that it had amended its self-exclusion controls.

In May 2017, the Regulator appointed an investigator to investigate elements of the Operator's system of internal control relating to the self-exclusion facility and related online controls as set out in Schedule 9 of the Licence. This investigation was concluded in 2018 with no finding of any breach.



## 1.5 Regulatory Requests under the Act and the Licence

Some aspects of the Operator's activities require the Regulator's written approval of their compliance with the Act and the Licence in advance, including:

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

### Assessment process

The procedure for any request to the Regulator requiring review and approval is set out in the Licence. Every request for approval or consent is examined to assess whether it complies with the Act and the Licence. Each assessment involves careful consideration of a range of provisions of the Act and the Licence.

Where the Regulator is not satisfied that a request is compliant, the Operator may be asked to provide additional information.

If additional information or an amended proposal is submitted which addresses the concerns of the Regulator, the request is ultimately approved. Where the Operator is unable to address the concerns, within the required timeframe, the request is either rejected by the Regulator or withdrawn by the Operator.

### 2018 Requests

During 2018, the Operator submitted 46 requests for approval or consent. The Regulator made decisions in respect of 33 of these during the year and two were withdrawn by the Operator. In 43 of the requests, further information was sought by the Regulator to enable her to properly consider the request. Eleven requests were still receiving consideration at year end and two were withdrawn by the Operator.

Thirty-seven of the requests received in 2018 related to schemes for National Lottery games. One game request was refused, in order to protect the interests of participants (and the reputation of the National Lottery). One game request was withdrawn by the Operator. Eleven requests relating to games were still under consideration at year end.

Status of 2018 Requests at 31 December	All Requests	Games
<b>Received</b>	<b>46</b>	<b>37</b>
Approved	32	24
Refused	1	1
Withdrawn by Operator	2	1
Under consideration at 31 December 2018	11	11

See Appendix C for details.

Details of requests received in previous years are available at <http://www.rnl.ie/publications-and-research>.

### Further information in respect of Interactive Instant Win Games (IWGs)

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.

For several reasons, these games can pose extra risk from a player protection perspective. This, however, can be mitigated by establishing a control framework with the intention of reducing the risk for players. Such a control framework is required under the Licence. It includes limits on a player's spending, options for players to self-exclude from playing National Lottery games online, and responsible gaming practices that prevent problem gaming.

Approvals relating to schemes for IWGs have been granted on a temporary basis, pending implementation of improvements in the Operator's online control framework in practice.

The most recent temporary approval for IWGs is up to and including 31 December 2019.

## 1.6 National Lottery Fund

The National Lottery Fund (the “Fund”) was established under the National Lottery Act 1986 as a single account held with the Central Bank of Ireland. The Fund is managed and controlled by the Regulator in accordance with the Act and the Licence.

*Ensuring that the revenues raised from the sale of National Lottery tickets and the amounts going to prizes and Good Causes are all accounted for correctly*






### Weekly settlement

Each week the Regulator reviews the Operator’s “weekly settlement report” of its sales of National Lottery tickets regarding each scratch card, draw based game, and online instant win game. Checks are performed to ensure that the amounts allocated to prizes, Good Causes, retailers, and the Operator are correct – for each game. The ORNL also cross-references this financial information with the real time data from the Operator’s gaming system.

These weekly checks form part of a system of control to ensure that the revenues raised from the sale of National Lottery tickets, the amount going into prizes, the amount going to Good Causes, the percentage going to retailers, are all accounted for correctly.

### Transfers of funds

The following steps are followed on a weekly basis, in accordance with the terms of the Licence:

- STEP 1:  The Operator lodges to the Fund the total amount of ticket sales net of retailers’ commissions and of small prizes paid by retailers.
- STEP 2:  The Regulator transfers from the Fund to the Operator the amount in respect of prizes, other than small prizes, for the week.
- STEP 3:  The Regulator reserves in the Fund the amount in respect of Good Causes.
- STEP 4:  The Regulator transfers the amount due in respect of the Regulator’s levy.
- STEP 5:  The Regulator transfers the remaining amount in respect of the week to the Operator.

The Fund is reconciled on a weekly basis. The amounts reserved in the Fund for Good Causes (at step 3 above) are transferred on a periodic basis as agreed with the Minister for Public Expenditure and Reform to the Central Fund of the Exchequer.

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 amount of €16.1 million continues to be recognised in the Fund Accounts as a restriction on funds available for distribution in respect of expired unclaimed prizes arising under the previous licence. This matter is under the Regulator's consideration.

### Funds for Good Causes

The amount allocated to Good Causes is calculated, in accordance with the Act and the Licence, as 65% of the difference between sales and prizes. Under the Licence, prizes must, on average across the portfolio of National Lottery games, be at least 50% of sales.

During 2018, €224.6 million was transferred to the Exchequer for Good Causes - compared with €226.8 million in 2017.

### 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.



## 1.7 Enforcement of Trademarks

Section 46 of 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. Clause 7 outlines detailed provisions regarding trademark and copyright compliance obligations and Schedule 4 of the Licence contains copies of executed IP agreements which impose obligations on the Operator.

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 trademark and logo subject to several 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 use and shall not cause or permit any person to use a trademark, other than a trademark in connection with the National Lottery or games, without the prior approval of the Regulator.
- c. The Operator shall not use and shall not cause or permit any other person to use a trademark in connection with the National Lottery or games on any goods or in relation to the provision of any services, other than the operation of the National Lottery or any game, without the prior approval of the Regulator.
- d. The Operator shall ensure that it does not assign National Lottery trademark 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.
- f. The Operator shall report to the Regulator suspected infringements by a third party relating to National Lottery trademarks.

In April 2018 the Regulator became aware of two suspected infringements by third party websites. One incident was identified by the ORNL and the other was reported by the Operator. On 4 May 2018 the Regulator issued the first directions to the Operator, under Clause 7.18 of the Licence, to take appropriate measures to protect the trademarks. The Operator issued cease and desist letters to the two third parties. No enforcement action was required.

The ORNL has measures in place to conduct its own periodic reviews to identify suspected infringements of National Lottery trademarks.



## 1.8 Corporate Affairs

### 1.8.1 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 2018 in support of the Strategic Objectives. The Regulator aims to continue to give full effect to her statutory remit, through the application of forward planning, continuous improvement, and strategic deployment of the powers given to her under the Act and the Licence.

The following statements incorporate the core purpose and strategic focus of the ORNL during 2018.

#### 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
- 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 ORNL 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
- Value our people.

## 1.8.2 Corporate Governance

*A Corporate Governance Assurance Agreement was entered into with the Minister for Public Expenditure and Reform*

### Corporate Governance Code of Practice

The governance practice of the ORNL is based on the updated Code of Practice for the Governance of State Bodies (“the Code”) which came into effect on 1 September 2016. The provisions of the Code have been adopted as appropriate by the ORNL in the context of the requirements of the National Lottery Act 2013.

The ORNL was established in 2014 in accordance with the National Lottery Act 2013, which provides for an individual office holder without a board. Where appropriate, the ORNL has adapted the Code in a manner relevant to its structure. For example, the requirements pertaining to board appointments, board meetings, and board committees are not applicable to the ORNL, but the Regulator performs relevant functions of a board such as approving annual budgets and reporting to the Minister on the ORNL’s compliance with its responsibilities.

A Corporate Governance Assurance Agreement, including derogations and adaptations appropriate to the structure of the Office, was entered into with the Minister for Public Expenditure and Reform which formally agreed and documented compliance by the ORNL with the Code.

### Ethics in Public Office

The ORNL is included in Statutory Instrument No.36 of 2015 for the purposes of the Ethics in Public Office Acts, 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 ORNL has established and maintains procedures to make protected disclosures in relation to the ORNL and its work and for dealing with such disclosures.

In the period 1 January 2018 to 31 December 2018, there was one communication received by the Regulator that could be considered a protected disclosure and it was treated as such. This was the first such communication since the Office was established and it came from an external third party. Following assessment, involving internal and external expertise, the Regulator determined that no action was required in respect of this communication.

## 1.8.3 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 set in the Licence at €1,500,000. Thereafter, it is indexed annually in line with the Consumer Price Index.

The levy for 2018 was €1,501,300.

### Staff

The Regulator has Ministerial sanction for 10 staff (including the Regulator). Several vacancies had arisen in the last quarter of 2017 on foot of which the Regulator conducted a workforce planning exercise. This review led to changes in the core staff structure, approved by the Minister for Public Expenditure and Reform in the second quarter of 2018. A recruitment campaign was conducted to fill the vacancies. At the end of 2018 there were six positions filled with recruits in place to fill three further positions in early 2019.

## 1.8.4 Annual Report and Accounts

The Annual Accounts of the Regulator for 2018 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 process and accounting policies, risk management, internal control and value for money issues.

## 1.8.5 Internal Audit

The Regulator agreed a programme of internal audits which were conducted in 2018 by EisnerAmper, the Office's appointed internal auditors, with reports being submitted to the Regulator as follows: 2017 audit issues follow up, Internal Controls, to include financial controls and risk management, Human Resource Governance and Data Protection and Data Retention. There were no material audit findings and action plans were prepared by the Regulator's executive to address findings.

## 1.8.6 Risk Management

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

In line with best practice, the ORNL has a risk management policy for 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 and ensure 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. In addition, there are two further reviews per year of high ranking risks, new risks and changing risks on the Risk Register.

## 1.8.7 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 ORNL 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 ORNL prepared and published a Publication Scheme having regard to the principles of openness, transparency, and accountability.

The ORNL received 10 freedom of information requests during 2018, none of which related to personal information. Of these, two requests were subjected to review by the Office of the Information Commissioner and one was subjected to internal review. Details of non-personal requests are published in the Regulator's Freedom of Information Disclosure Log, which is available on this Office's website. See <http://www.rnl.ie/about-us/freedom-of-information/>

### Energy Consumption

The ORNL has one office, located in the Irish Life Centre, Dublin 1. 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 2018, the ORNL consumed 34.78 MWh of energy, consisting of:

- 13.64 MWh of electricity
- 21.14 MWh of fossil fuels (heating)



# Appendix A: PLI's Performance Standards

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

Year to 31 December 2018	Standard	Achieved Performance	Forecast for 2019
<b>Computer Systems</b>			
Terminal availability to sell tickets*	99% Availability	99.96%	99.50%
Gaming system availability	99% Availability	99.97%	99.50%
Website availability	99% Availability	99.95%	99.50%
<b>Prize Payment</b>			
Claims greater than €1,000 paid by cheque following a visit to National Lottery HQ	95% within 3hrs 5% within 20 working days	100% 100%	98.00% 2.00%
Claims greater than €1,000 paid by cheque following a postal claim	95% within 5 days 5% within 20 days	99.89% 100%	98.00% 2.00%

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

Year to 31 December 2018	Standard	Achieved Performance	Forecast for 2019
<b>Player Services – Voice Contact</b>			
Service availability*	99% Availability	99.84%	100%
Calls answered within 30 seconds	70%	88.00%	90.00%
<b>Player Services – Written Contact</b>			
Service availability**	99% Availability	100%	100%
Letters answered within 5 working days	80%	93.00%	80.00%
Emails answered within 2 working days	80%	85.00%	95.00%
Responses to complaints within 10 working days	95%	94.00%	95.00%
Resolution of complaints and enquiries at first attempt	80%	85.00%	95.00%

\*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.



## Appendix B: Regular Reports Received from the Operator

Report	Frequency
Good Causes Annual Report and External Auditors Report thereon	Annually
Audited Accounts of Premier Lotteries Ireland DAC	Annually
External Auditors Report on PLI's Internal Controls	Annually
External Auditors Report on PLI's Connected Parties	Annually
Annual Performance Standards Report	Annually
Internal Audit Annual Plan	Annually
Base Marketing Annual Budget	Annually
Annual Activity Report	Annually
Monthly Management Accounts	Monthly
Secure Areas Report	Monthly
IT Incident Monthly Log Report	Monthly
Speed of Prize Payments	Monthly
Descriptions Updates	Monthly
Directors and Senior Manager Changes	Monthly
Unclaimed Prizes Report	Periodically
Incremental Marketing Report	Annually
Complaints Report	Monthly
Good Causes Report	Quarterly
Internal Audit Report	Quarterly
Minutes of Audit Risk and Security Committee Meetings	Quarterly
Complaints Update	Weekly
Trading and IT Update	Weekly
Weekly Settlements	Weekly
TV Game Show Prizes Report	Weekly
Audit Risk and Security Committee report on the effectiveness of PLI's system of internal controls	Annually
Engagement letter with External Auditor	Annually
Risk Registers (Corporate and IT)	Annually
Contact Centre Metrics Report	Monthly
Player Protection Reports	Quarterly
Annual Confirmation of Bank Accounts	Annually
Scratch Card Game End Reports	At Game End

# Appendix C: Requests for Approval or Consent under the Licence


Date	Section of Approval Required	Game/Service Info.	Related to a Game	Amended/ Further Info. sought	Status at 31 December 2018				
					Ongoing	Request Withdrawn	Ultimately Approved	Ultimately Refused	Decision Date
02/01/2018	Section 45	197 Zodiac Fortune Resubmitted	Yes	Yes			Approved		20/02/2018
12/01/2018	Section 45	Lotto Plus Game Enhancement - January 2018	Yes	Yes				Refused	07/03/2018
26/01/2018	Section 45	206 Holiday Cash	Yes	Yes			Approved		27/03/2018
12/02/2018	Section 31	PLI Corporate Matter	No	Yes			Approved		29/03/2018
20/02/2018	Section 45	Extension to temporary approval of IWGs - to 31/12/18	Yes	Yes			Approved		29/03/2018
16/03/2018	Section 45	200 All Cash	Yes	Yes			Approved		02/08/2018
16/03/2018	Section 45	203 All Cash Platinum	Yes	Yes			Approved		03/08/2018
27/03/2018	Section 45	202 All Cash Tripler	Yes	Yes			Approved		03/08/2018
29/03/2018	Section 45	201 All Cash Gold	Yes	Yes			Approved		02/08/2018
29/03/2018	Section 45	204 All Cash Spectacular	Yes	Yes			Approved		03/08/2018
23/03/2018	Section 45	205 All Cash Extravaganza	Yes	Yes			Approved		03/08/2018
06/04/2018	Section 45	Lotto Plus Game Enhancement - April 2018	Yes	Yes			Approved		28/06/2018
06/04/2018	Clause 18.3.2 + 18.3.9	Use of Camelot Trading Platform to sell National Lottery in-lane in Musgrave retailers	No	Yes			Approved		31/10/2018
30/04/2018	Section 42(2)	Retail Sales Agent Authorisation - Amendments due to GDPR	No	Yes			Approved		18/05/2018
03/05/2018	Clause 9.8	2014 & 2016 Good Causes Compendium	No	Yes		Withdrawn			14/06/2018
04/05/2018	Section 45	207 Winning Streak (including game show)	Yes	Yes			Approved		19/09/2018
01/06/2018	Section 45	Instant €100 IWG	Yes	Yes			Approved		23/08/2018
01/06/2018	Section 45	Instant €300 IWG	Yes	Yes			Approved		23/08/2018
06/06/2018	Section 45	Instant €500 IWG	Yes	Yes			Approved		23/08/2018
07/06/2018	Section 45	Instant €1000 IWG	Yes	Yes			Approved		23/08/2018
04/07/2018	Section 45	199 The Good Life	Yes	Yes		Withdrawn			23/08/2018

Date	Section of Approval Required	Game/Service Info.	Related to a Game	Amended/ Further Info. sought	Status at 31 December 2018				
					Ongoing	Request Withdrawn	Ultimately Approved	Ultimately Refused	Decision Date
13/07/2018	Section 45	222 Christmas Countdown	Yes	Yes			Approved		06/09/2018
13/07/2018	Section 45	221 Merry Money	Yes	Yes			Approved		06/09/2018
19/07/2018	Section 45	220 Hampers Sweets and Treats	Yes	Yes			Approved		06/09/2018
07/08/2018	Section 45	Christmas Millionaire Raffle (2018)	Yes	Yes			Approved		06/09/2018
28/08/2018	Section 45	Digital All Cash	Yes	Yes			Approved		21/12/2018
28/08/2018	Section 45	Digital All Cash Gold	Yes	Yes	Ongoing				
13/09/2018	Section 45	Minor Amendments to Winning Streak	Yes	No			Approved		19/09/2018
01/10/2018	Section 45	212 Diamond Bingo Doubler	Yes	Yes			Approved		19/12/2018
05/10/2018	Section 45	208 Bingo x 10	Yes	Yes	Ongoing				
05/10/2018	Clause 18.3.3 + 18.3.7 + 18.3.8	Engagement of KPMG as Independent Observer to Premier Lotteries Ireland DAC	No	Yes			Approved		24/10/2018
12/10/2018	Section 45	Extension of approval for the sale of Instant Win Games in the Digital Channel	Yes	Yes			Approved		21/12/2018
23/10/2018	Section 45	210 Cashword Doubler	Yes	Yes	Ongoing				
23/10/2018	Section 45	211 Cashword Plus	Yes	Yes	Ongoing				
24/10/2018	Section 45	Digital All Cash Tripler	Yes	Yes	Ongoing				
24/10/2018	Section 45	Digital All Cash Platinum	Yes	Yes	Ongoing				
25/10/2018	Section 45	Good Cause Awards Advertorial	No	Yes			Approved		26/10/2018
30/10/2018	Section 45	Digital All Cash Spectacular	Yes	Yes	Ongoing				
12/11/2018	Section 45	Crossword IWG	Yes	Yes	Ongoing				
14/11/2018	Section 45	90 Bingo IWG	Yes	Yes	Ongoing				
14/11/2018	Section 45	Meteor Money IWG	Yes	Yes	Ongoing				
19/11/2018	Section 45	209 Congratulations	Yes	No			Approved		14/12/2018
23/11/2018	Clause 9 - Schedule 5	Annual Review Code of Practice: Advertising and Promotion	No	Yes			Approved		24/12/2018
23/11/2018	Clause 8 - Schedule 5	Annual Review Code of Practice: Sales	No	Yes			Approved		24/12/2018
23/11/2018	Clause 8 - Schedule 5	Annual Review Code of Practice: Participants	No	Yes			Approved		24/12/2018
20/12/2018	Section 45	223 Holiday Cash	Yes	No	Ongoing				

= Game related request







## 2. Regulator of the National Lottery Financial Statements 2018

# 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

Bank of Ireland  
6 O'Connell Street Lower  
Dublin 1  
D01 X324

**Solicitors**

Mason Hayes & Curran  
South Bank House  
Barrow Street  
Dublin 4  
D04 TR29

Fieldfisher  
The Capel Building  
Mary's Abbey  
D07 N4C6

**Auditors**

Comptroller and Auditor General  
3A Mayor Street Upper  
Dublin 1  
D01 PF72

# Report of the Comptroller and Auditor General

## Opinion on financial statements

I have audited the financial statements of the Regulator of the National Lottery for the year ended 31 December 2018 as required under the provisions of section 22 of the National Lottery Act 2013. The financial statements comprise

- the statement of income and expenditure and retained revenue reserves
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of the significant accounting policies.

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 at 31 December 2018 and of its income and expenditure for 2018 in accordance with Financial Reporting Standard (FRS) 102 - *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

## Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Regulator of the National Lottery and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Report on information other than the financial statements, and on other matters

The Regulator of the National Lottery has presented certain other information together with the financial statements. This comprises the annual report, the statement on internal control and the governance statement and statement of responsibilities. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.



**Josephine Mooney**  
**For and on behalf of the**  
**Comptroller and Auditor General**

17 June 2019

# Appendix to the report of the Comptroller and Auditor General

## Responsibilities of the Regulator of the National Lottery (the Regulator)

As detailed in the governance statement and statement of responsibilities, the Regulator is responsible for

- the preparation of financial statements in the form prescribed under section 22 of the National Lottery Act 2013
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- implementing such internal control as the Regulator determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Responsibilities of the Comptroller and Auditor General

I am required under section 22 of the National Lottery Act 2013 to audit the financial statements of the Regulator of the National Lottery and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regulator of the National Lottery's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Regulator of the National Lottery to cease to continue as a going concern.



# Appendix to the report of the Comptroller and Auditor General

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Regulator of the National Lottery, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

## Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records

# Statement On Internal Control

## Scope of Responsibility

I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated in relation to the Office of the Regulator of the National Lottery. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

## Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the Office of the Regulator of the National Lottery for the year ended 31 December 2018 and up to the date of approval of the financial statements.

## Capacity to Handle Risk

The Office of the Regulator of the National Lottery is established under the National Lottery Act 2013 as a single office holder. Under statute the Office is constituted without a Board.

The Office of the Regulator of the National Lottery has established an internal audit function which is adequately resourced and conducts a programme of work agreed with me.

The Office of the Regulator has developed a risk management policy which sets out the risk appetite, the risk management processes in place and the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within the Office of the Regulator of the National Lottery's risk management policies, to alert management on emerging risks and control weaknesses and to assume responsibility for risks and controls within their own area of work.

## Risk and Control Framework

The Office of the Regulator of the National Lottery has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Office of the Regulator of the National Lottery and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the Regulator periodically during the year. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibilities for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- there are systems aimed at ensuring the security of the information and communication technology systems, and
- there are systems in place to safeguard the assets.

# Statement On Internal Control

## Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budget/forecasts.

## Procurement

I confirm that the Office of the Regulator of the National Lottery has procedures in place to ensure compliance with current procurement rules and guidelines and that during 2018 the Office of the Regulator of the National Lottery complied with those procedures.

## Review of Effectiveness

I confirm that the Office of the Regulator of the National Lottery has procedures in place to monitor the effectiveness of its risk management and control procedures. The Office of the Regulator of the National Lottery's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors and the senior management within the Office of the Regulator of the National Lottery responsible for the development and maintenance of the internal control framework.

I confirm that an annual review of the effectiveness of the system of internal control was carried out in respect of 2018 and completed by 31 March 2019.

## Internal Control Issues

No weaknesses in internal control were identified in relation to 2018 that require disclosure in the financial statements.



**Carol Boate**  
**Regulator of the National Lottery**

**Date** 12 June 2019



# Governance Statement and Statement of Responsibilities

## Governance

The Office of the Regulator of the National Lottery was established under the National Lottery Act, 2013 (“the Act”). The functions of the Regulator are set out in Section 9 of the Act. The Regulator shall, subject to the Act, be independent in the performance of her functions. The Regulator is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The Regulator is accountable to the Minister for Public Expenditure and Reform.

The regular day-to-day management, control and direction of the Office of the Regulator of the National Lottery are the responsibility of the Regulator and the senior management team. The senior management team must follow the broad strategic direction set by the Regulator. The Regulator must ensure that the senior management team have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise.

## Regulator Responsibilities

The work and responsibilities of the Regulator are set out in the Act. Section 22 of the Act requires the Regulator to keep, in such form as may be approved by the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it for audit by the Comptroller & Auditor General.

In preparing these financial statements, the Regulator of the National Lottery is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Regulator is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with Section 22 of the Act. 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.

The maintenance of the corporate and financial information on the Office of the Regulator of the National Lottery's website is the responsibility of the Regulator.

The Regulator is responsible for approving the annual plan and budget.

The Regulator is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Regulator considers that the financial statements of the Office of the Regulator of the National Lottery give a true and fair view of the financial performance and the financial position of the Office of the Regulator of the National Lottery at 31 December 2018.



# Governance Statement and Statement of Responsibilities

The Regulator has established two committees, as follows:

- 1. Finance Committee:** comprises the Deputy Regulator/Head of Audit and Finance, the Accountant and the Corporate Affairs Manager with an external consultant in attendance and the Regulator with right of attendance. The role of the Finance Committee is to advise senior management on matters relating to the Office's finances, accounting, third-party financial returns and dealings with the Office's internal and external auditors. There were six meetings of the Finance Committee in 2018.
- 2. Risk Committee:** comprises the senior management team (six members). The role of the Risk Committee is to support the Regulator in relation to her responsibilities for issues of risk and control. There were two meetings of the Risk Committee in 2018. A third Risk Committee meeting scheduled for December 2018 was postponed to February 2019 to facilitate the appointment of a new Corporate Affairs Manager. This meeting took place on 5 February 2019.

## Disclosures Required by the Code of Practice for the Governance of State Bodies (2016)

The Regulator is responsible for ensuring that the Office of the Regulator of the National Lottery has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code.

### Aggregate Employee Benefits

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Staff short-term benefits	462,336	461,823
Termination benefits	-	-
Employer pension contributions	98,798	89,288
Employer's contribution to social welfare	46,239	46,503
	<b><u>607,373</u></b>	<b><u>597,614</u></b>

The total number of staff employed (WTE) at year end was 6 (2017: 6).

### Staff Short-Term Benefits

All staff short-term benefits are in respect of basic pay.

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Basic pay	<b><u>462,336</u></b>	<b><u>461,823</u></b>

# Governance Statement and Statement of Responsibilities

## Termination Benefits

No termination benefits arose in the year.

## Employee Short-Term Benefits Breakdown

Employees' short-term benefits in excess of €60,000 are categorised into the following bands:

### Range of Total Employee Benefits (excluding employer pension costs)

From €		To €	Number of Employees	
			2018	2017
60,000	-	69,999	-	-
70,000	-	79,999	2	3
80,000	-	89,999	1	1
90,000	-	99,999	1	-
100,000	-	109,999	1	-
110,000	-	119,999	-	-

## Key Management Personnel

Key management personnel in the Office of the Regulator of the National Lottery consists of the Regulator and five senior managers.

	2018 €	2017 €
Salaries	451,279	425,189
Employer pension contributions	<u>96,157</u>	<u>86,440</u>
	<b><u>547,436</u></b>	<b><u>511,629</u></b>

The key management personnel are members of the Office of the Regulator of the National Lottery's pension scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

# Governance Statement and Statement of Responsibilities

## Regulator Salary and Benefits

The Regulator's remuneration package for the financial period was as follows:

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Basic pay	106,017	69,690
Employer pension contributions	<u>31,736</u>	<u>16,991</u>
	<b><u>137,753</u></b>	<b><u>86,681</u></b>

The Regulator is a member of the Office of the Regulator of the National Lottery's pension scheme, and her entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

## Consultancy Costs

Included in professional fees in the financial statements of €105,132 (2017: €119,403) are consultancy costs which are the cost of external advice to the Regulator and exclude outsourced "business-as-usual" functions.

<b>Consultancy Costs</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Legal services	34,806	56,275
Tax and financial advisory	4,011	4,476
Lottery consultancy	-	2,747
IT and Other	<u>34,507</u>	<u>22,473</u>
	<b><u>73,324</u></b>	<b><u>85,971</u></b>

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

## Travel and Subsistence

<b>Travel and Subsistence</b>	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Domestic	5	86
International	<u>1,919</u>	<u>972</u>
	<b><u>1,924</u></b>	<b><u>1,058</u></b>

€1,250 (2017: €430) of the above was paid in respect of the Regulator. No other expenses were paid to the Regulator.

# Governance Statement and Statement of Responsibilities

## Hospitality Expenditure

An amount of €420 (2017: €277) was paid in respect of staff hospitality.

## Statement of Compliance

The Office of the Regulator of the National Lottery has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016, with the following exceptions:

- The structure of the Office of the Regulator of the National Lottery is as a single office holder. Compliance with those parts of the Code dealing with Boards, Board structures and Chairpersons has been achieved by amendment of the Code of Practice for the Governance of the Office of the Regulator of the National Lottery to recognise a single office holder.
- The requirements of the Oversight Agreement and the Performance Delivery Agreement have been complied with by agreement with the Department of Public Expenditure and Reform of a Corporate Governance Assurance Agreement for the Office of the Regulator of the National Lottery.



**Carol Boate**  
**Regulator of the National Lottery**

**Date** 12 June 2019



# Statement of Income and Expenditure and Retained Revenue Reserves

for the financial year ended 31 December 2018

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Income	3	1,501,304	1,495,500
Administration costs	4	(1,141,319)	(960,614)
Operating surplus		359,985	534,886
Interest receivable		<u>1,111</u>	<u>109</u>
Surplus for the year		<b><u>361,096</u></b>	<b><u>534,995</u></b>
Retained earnings at the start of the year		<b><u>1,886,131</u></b>	<b><u>1,351,136</u></b>
Retained earnings at the end of the year		<b><u>2,247,227</u></b>	<b><u>1,886,131</u></b>

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

Notes 1 to 12 form part of these Financial Statements.



**Carol Boate**  
**Regulator of the National Lottery**

**Date** 12 June 2019

# Statement Of Financial Position

as at 31 December 2018

	Notes	2018 €	2017 €
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	<u>6,370</u>	<u>10,900</u>
<b>CURRENT ASSETS</b>			
Debtors	7	117,759	110,331
Cash and cash equivalents		<u>2,660,075</u>	<u>2,174,626</u>
		2,777,834	2,284,957
<b>CREDITORS</b> (amounts falling due within one year)			
Creditors and accruals	8	<u>(536,977)</u>	<u>(409,726)</u>
<b>NET CURRENT ASSETS</b>		<u>2,240,857</u>	<u>1,875,231</u>
<b>NET ASSETS</b>		<u><b>2,247,227</b></u>	<u><b>1,886,131</b></u>
<b>REPRESENTED BY</b>			
Accumulated retained earnings	10	<u><b>2,247,227</b></u>	<u><b>1,886,131</b></u>

Notes 1 to 12 form part of these Financial Statements.



**Carol Boate**  
Regulator of the National Lottery

**Date** 12 June 2019

# Statement Of Cashflows

for the financial year ended 31 December 2018

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
<b>Net cash flows from operating activities</b>			
Operating surplus for the year		359,985	534,886
Depreciation	6	5,493	11,770
(Increase) / Decrease in debtors		(7,428)	(4,128)
Increase / (Decrease) in creditors		<u>127,251</u>	<u>25,349</u>
<b>Net cash inflow from operating activities</b>		485,301	567,877
<b>Cash flow from investing activities</b>			
Payments to acquire property, plant and equipment	6	(963)	(4,613)
<b>Cash flow from financing activities</b>			
Interest received		1,111	109
<b>Increase in cash and cash equivalents</b>		<b><u>485,449</u></b>	<b><u>563,373</u></b>
<b>Cash and cash equivalents at the start of the financial year</b>		<b><u>2,174,626</u></b>	<b><u>1,611,253</u></b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b><u>2,660,075</u></b>	<b><u>2,174,626</u></b>

Notes 1 to 12 form part of these financial statements.



**Carol Boate**  
Regulator of the National Lottery

**Date** 12 June 2019

# Notes (forming part of the financial statements)

## for the year ended 31 December 2018

### 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 year.

#### (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  $33\frac{1}{3}\%$  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 2018

### 1. Accounting Policies (cont)

#### (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 30% for non-Single Scheme (non-personal pension contribution), 25% for non-Single Scheme (personal pension contribution) 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 9 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 useful lives and associated residual values of all fixed asset classes and has concluded that the useful lives and residual values are appropriate.

### 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.

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

# Notes (forming part of the financial statements)

## for the year ended 31 December 2018

### 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 2018, the average Consumer Price Index of 0.4% for the 12 months ended 31 December 2017 as published by the Central Statistics Office on 16 January 2018 was applied by the operator.

	<b>2018</b> €	<b>2017</b> €
Levy income, for the year	<u>1,501,304</u>	<u>1,495,500</u>

### 4. Administration Costs

	<b>2018</b> €	<b>2017</b> €
Salaries and staff costs	607,373	597,614
Outsourced labour costs	153,125	4,829
Professional fees (Note 5)	105,132	119,403
External audit*	15,500	10,500
Internal audit	13,742	18,590
Rent, service charges and maintenance	122,303	123,801
Cleaning, heat and light	6,807	5,858
Insurances	18,798	18,776
Travel and subsistence	1,924	1,058
Recruitment costs	40,798	-
Training costs and memberships	9,527	14,899
Office supplies and equipment	8,960	5,969
Information and communication technology	22,329	17,638
Publications	1,680	3,542
Depreciation	5,493	11,770
Other administration costs	<u>7,828</u>	<u>6,367</u>
	<b><u>1,141,319</u></b>	<b><u>960,614</u></b>

\*External audit includes an amount of €5,000 (2017: €5,000) for audit fees in respect of the National Lottery Fund.

# Notes (forming part of the financial statements)

## for the year ended 31 December 2018

### 5. Professional Fees

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Legal services	34,806	56,275
Tax and financial advisory	4,011	4,476
Public relations/marketing	29,520	29,520
Pensions and human resources	2,288	3,912
Lottery consultancy	-	2,747
IT and Other	<u>34,507</u>	<u>22,473</u>
	<b><u>105,132</u></b>	<b><u>119,403</u></b>

### 6. Property, plant and equipment

	<b>Computer Equipment €</b>	<b>Office Fitting, Furniture &amp; Equipment €</b>	<b>Telephone System €</b>	<b>Total €</b>
<b>Cost</b>				
At 31 December 2017	30,756	5,893	4,182	40,831
Additions during year	-	963	-	963
Disposals during year	-	-	-	-
At 31 December 2018	<u>30,756</u>	<u>6,856</u>	<u>4,182</u>	<u>41,794</u>
<b>Depreciation</b>				
At 31 December 2017	23,663	2,667	3,601	29,931
Charge for year	3,605	1,307	581	5,493
Depreciation on disposals	-	-	-	-
At 31 December 2018	<u>27,268</u>	<u>3,974</u>	<u>4,182</u>	<u>35,424</u>
<b>Net Book Value</b>				
At 31 December 2018	<u>3,488</u>	<u>2,882</u>	-	<u>6,370</u>
At 31 December 2017	<u>7,093</u>	<u>3,226</u>	581	<u>10,900</u>

# Notes (forming part of the financial statements)

## for the year ended 31 December 2018

### 7. Debtors

	<b>2018</b> €	<b>2017</b> €
Accrued income	95,174	90,130
Prepayments	21,479	17,873
Travel Cards	1,106	2,328
	<u>117,759</u>	<u>110,331</u>

### 8. Creditors (amounts falling due within one year)

	<b>2018</b> €	<b>2017</b> €
Trade creditors and accruals	165,121	147,345
Pension provision (Note 9)	252,606	178,961
Sundry creditors/ Visa Card	400	277
PAYE/PRSI	15,634	13,548
Pension related deduction	99,135	68,511
Union deductions	-	161
PSWT liability	4,011	800
VAT liability	<u>70</u>	<u>123</u>
	<u>536,977</u>	<u>409,726</u>

### 9. 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 30% of pensionable pay for non-Single Scheme (non-personal pension contribution), 25% of pensionable pay for non-Single Scheme (personal pension contribution) and of three times employee contributions for Single Scheme members, are charged to the Statement of Income and Expenditure. The accumulated contributions for the non-Single Scheme are held for the account of the Minister for Public Expenditure and Reform. Contributions in respect of the Single Scheme are transferred to the Exchequer, one month in arrears.



# Notes (forming part of the financial statements)

## for the year ended 31 December 2018

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.

Employer contributions of €98,798 (2017: €89,288) in respect of non-Single Scheme members and Single Scheme members was charged to the statement of income and expenditure and retained revenue reserves in the year.

### 10. Accumulated Retained Earnings

	<b>2018</b>
	<b>€</b>
At beginning of year	1,886,131
Surplus for year	<u>361,096</u>
Retained earnings at the end of the year	<u>2,247,227</u>


### 11. Capital Commitments

There were no commitments for capital expenditure at 31 December 2018.

### 12. Approval of Financial Statements

The financial statements were approved by the Regulator of the National Lottery on 12th June 2019.





# 3. National Lottery Fund

## Financial Statements 2018

# National Lottery Fund

## Report of the Comptroller and Auditor General

### Opinion on the financial statements

I have audited the financial statements of the National Lottery Fund prepared by the Regulator of the National Lottery for the year ended 31 December 2018 under section 44 of the National Lottery Act 2013. The financial statements comprise the account of receipts and payments, the reserve account and related notes.

In my opinion, the financial statements properly present

- the payments into and out of the National Lottery Fund for 2018, and
- the balance of the Fund at 31 December 2018.

### Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Regulator of the National Lottery and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Report on statement on internal control and on other matters

The Regulator has presented a statement on internal control together with the financial statements. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.



**Seamus McCarthy**  
**Comptroller and Auditor General**

**Date** 18 June 2019



# National Lottery Fund

## Appendix to the Report of the Comptroller and Auditor General

### **Responsibilities of the Regulator of the National Lottery (the Regulator)**

The governance statement and statement of responsibilities sets out the Regulator's responsibilities in relation to the financial statements. These are

- the preparation of financial statements as required by Section 44 of the National Lottery Act 2013
- ensuring that the financial statements properly present the National Lottery Fund's affairs at year-end and transactions in the year
- ensuring the regularity of transactions, and
- implementing such internal control as the Regulator determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Responsibilities of the Comptroller and Auditor General**

I am required under section 44 of the 2013 Act to audit the financial statements of the National Lottery Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

I communicate with the Regulator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

# National Lottery Fund

## Appendix to the Report of the Comptroller and Auditor General

### Statement on Internal Control

My opinion on the financial statements does not cover the statement on internal control presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the statement on internal control presented and, in doing so, consider whether the information therein is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

# National Lottery Fund

## Statement On Internal Control

### Scope of Responsibility

I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated in relation to the National Lottery Fund. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016), as it applies to the Office of the Regulator and the National Lottery Fund.

### Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place for the National Lottery Fund for the year ended 31 December 2018 and up to the date of approval of the financial statements.

### Capacity to Handle Risk

The National Lottery Fund is established under section 8 of the National Lottery Act 1986 and is managed and controlled by the Regulator.

The Office of the Regulator has established an internal audit function which is adequately resourced and conducts a programme of work agreed with me, in respect of the National Lottery Fund.

The Office of the Regulator has developed a risk management policy which sets out the risk appetite, the risk management processes in place and the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff, who are expected to work within the Office of the Regulator of the National Lottery's risk management policies, to alert management on emerging risks and control weaknesses and to assume responsibility for risks and controls within their own area of work.

### Risk and Control Framework

The Office of the Regulator of the National Lottery has implemented a risk management system in respect of the National Lottery Fund which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the National Lottery Fund and these have been identified, evaluated and graded according to their significance. The register is reviewed periodically during the year. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

# National Lottery Fund

## Statement On Internal Control

The risk register details the controls and actions needed to mitigate risks and responsibilities for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there are systems aimed at ensuring the security of the information and communication technology systems, and
- there are systems in place to safeguard the assets.

### Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action in a timely way. I confirm that the following ongoing monitoring systems are in place:

- 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 I regard as acceptable
  - assessing the likelihood of identified risks occurring
  - assessing the Office'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.



# National Lottery Fund

## Statement On Internal Control

### Review of Effectiveness

I confirm that the Office of the Regulator of the National Lottery has procedures in place to monitor the effectiveness of the National Lottery Fund risk management and control procedures. The Office of the Regulator of the National Lottery's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors and the senior management within the Office of the Regulator of the National Lottery responsible for the development and maintenance of the internal control framework.

I confirm that an annual review of the effectiveness of the system of internal control was carried out in respect of 2018 and completed by 31 March 2019.

### Internal Control Issues

No weaknesses in internal control were identified in relation to 2018 that require disclosure in the financial statements.



**Carol Boate**  
**Regulator of the National Lottery**

**Date** 12 June 2019

# National Lottery Fund

## Governance Statement And Statement Of Responsibilities

### Governance

The National Lottery Fund is established under section 8 of the National Lottery Act 1986 and continues in being in accordance with section 44 of the National Lottery Act 2013. The Fund comprises a single bank account held at the Central Bank of Ireland. The Fund has no employees or directors.

### Regulator Responsibilities

The responsibilities of the Regulator in respect of the Fund are set out in the National Lottery Act, 2013. Under section 44 of the National Lottery Act, 2013, the Regulator manages and controls the Fund. In addition the Regulator is required to submit accounts of the Fund annually to the Comptroller and Auditor General for audit and for a copy of an abstract of the accounts so audited together with a copy of the report of the Comptroller and Auditor General thereon to be laid before each House of the Oireachtas.



**Carol Boate**  
**Regulator of the National Lottery**

**Date** 12 June 2019

# National Lottery Fund

## Account Of Receipts And Payments

for the year ended 31 December 2018

	Note	2018		2017	
		€'000	€'000	€'000	€'000
Received from the operator	4		493,795		497,777
less:					
Paid to the operator in respect of:	5				
Prizes		196,871		195,413	
Operator's entitlement		<u>73,051</u>	<u>269,922</u>	<u>74,122</u>	<u>269,535</u>
			223,873		228,242
less:					
Paid to the Regulator in respect of Regulator Levy	9		<u>1,497</u>		<u>1,491</u>
			222,376		226,751
Investment Interest Received/(Paid)	6		<u>(325)</u>		<u>(112)</u>
			222,051		226,639
Transferred to the Central Fund	7		<u>(224,647)</u>		<u>(226,751)</u>
Increase/(Decrease) in Investment transferred to/(from) Reserve			<u>(2,596)</u>		<u>(112)</u>
<b>Reserve Account</b>			<b>2018</b>		<b>2017</b>
			<b>€'000</b>		<b>€'000</b>
Balance on deposit at 1 January			34,012		34,124
Increase/ (Decrease) in Investment			<u>(2,596)</u>		<u>(112)</u>
Balance on deposit at 31 December	6		31,416		34,012
less:					
Balance retained in respect of historic expired prizes	8		(16,092)		(16,092)
Liability for Regulator Levy	9		<u>(95)</u>		<u>(90)</u>
Balance available for distribution through the Central Fund	7		<u>15,229</u>		<u>17,830</u>

Notes 1 to 11 form part of these Accounts



**Carol Boate**  
Regulator of the National Lottery

Date 12 June 2019

# National Lottery Fund

## Notes To The Financial Statements

### 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 Licence. 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 €494 million in 2018 (2017: €498 million).

### 5. Amounts paid to the operator

The amounts paid to the operator were €270 million in 2018 (2017: €269 million), being €197 million in respect of prizes payments (2017: €195 million) and €73 million in respect of operator’s entitlement (2017: €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 Financial Statements

### 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. Interest is recognised on payment or receipt. The estimated interest in respect of 2018 unpaid by the Fund at the year-end amounted to €51,531.

### 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. Balance retained in respect of historic expired prizes

At 31 December 2018, 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 An Post National Lottery Company. As this relates to expired prizes at the transition date 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.

### 9. 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 2018 is €94,604.

### 10. Audit fee

The audit fee is paid by the Office of the Regulator of the National Lottery. The audit fee for 2018 is €5,000.

### 11. Approval of the National Lottery Fund Account

The National Lottery Fund Account in respect of the year ended 31 December 2018 was approved by the Regulator on 12th June 2019.







Rialálaí an Chrannchuir Náisiúnta  
Regulator of the National Lottery

Block D,  
Irish Life Centre,  
Lower Abbey Street  
Dublin 1  
D01 W2H4

Tel: +353 (1) 872 7932

Email: [info@rnl.ie](mailto:info@rnl.ie)

Web: [www.rnl.ie](http://www.rnl.ie)