




Rialálaí an Chranachuir Náisiúnta
Regulator of the National Lottery

Annual Report
2021



OUR VISION

**A safe, sustainable,
properly run National
Lottery maximising funds
for Good Causes.**



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Report on Operations pursuant to Section 22(3) of the National Lottery Act 2013

1.1 Regulator's Statement



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 Office of the Regulator of the National Lottery and the National Lottery Fund for the year ended 31 December 2021.

In 2021, €289.7 million was transferred from the National Lottery Fund to the Exchequer to support Good Causes. This represented an increase of 14.0% compared to 2020 on a like for like basis (2020: €270.3 million, €16.1 million of which related to historical expired unclaimed prizes).

Some of this increase is attributable to the sales generated by an unprecedented Lotto jackpot rollover from 9 June 2021 to 15 January 2022. The jackpot reached a record €19.1 million on 29 September 2021 at which point, in accordance with the game rules, it was capped and the percentage of sales that would ordinarily go to growing the jackpot in each draw went instead to increasing the prizes won in the next-highest prize tier with at least one winner. This generated significant public interest. The €19.1 million jackpot was ultimately won on 15 January 2022 by a single ticket matching all six numbers drawn. To prevent future capped jackpots from rolling over indefinitely, Lotto game rules were changed to ensure that a "Will be Won Draw" would take place if the capped jackpot was not won after five draws.

Each year my Office conducts a number of proactive reviews of different aspects of the operation of the National Lottery. In 2021, a review of published game rules for online instant win games found that they correctly matched the approved rules; a review of how the odds of winning are presented on scratch cards led to the odds of winning the top prize being added to scratch cards (as well as the average odds of winning any cash prize); and a review by independent IT consultants confirmed that the Operator was taking the appropriate steps to ensure its systems have the necessary capacity and capability to operate the National Lottery with all due propriety and to protect the National Lottery from cyber-attacks into the future.

A review by my Office in 2021 of how the age and identity of online gambling customers are verified throughout the European Union found that it is now the norm to require this upon account opening. While different processes and controls apply in different jurisdictions, in general, technological developments are being harnessed to improve age and identity verification online. In July, I wrote to the Operator regarding the opportunity to enhance the existing online controls to prevent harm from problem and underage gaming. The Operator confirmed that it was committed to introducing mandatory identity verification for all accounts and was testing various process and technology options on subgroups of players. From 6 December 2021, providing a photo of identity documentation became a mandatory step to purchase a National Lottery product online via a newly-registered National Lottery account. This mandatory identity verification is being applied to all previously registered accounts on a phased basis.

There was one finding of a breach of the Licence by the Operator in 2021. Due to a time lag in the Operator's systems, marketing communications had been sent in error to forty-eight players who had self-excluded up to 36 hours earlier. It was established that none of the forty-eight players were able to play National Lottery games during the period of self-exclusion and the Operator introduced measures that would ensure the cessation of marketing messages due to self-exclusion takes effect in real time. I determined that the Operator had breached Schedule 9 paragraphs 6(b) and 6(c) of the Licence and concluded that no further action was required.

A temporary amendment to the Licence in 2020 that allowed for a remote prize claim process, when public health restrictions due to Covid-19 prevented players from claiming prizes in person at National Lottery Headquarters, was extended in 2021. This facility continues to be available and kept under review. A further amendment to the Licence was made in May 2021 to provide for the form and timing of a necessary reconciliation of the Prize Fund Account to the actual prizes won in each financial year. The Prize Fund Account is funded each week based on the prizes expected to be won as per the design of each lottery game and this is now reconciled annually to the actual prizes won.

The third strategy statement of the Regulator was developed in 2021. The first seven years of the Office's existence has been a time of immense change and progress in the operation and regulation of the National Lottery. The strategy for 2022 to 2024 will equip the Office of the Regulator of the National Lottery, ORNL, in fulfilling my statutory objectives in a manner that is responsive to the continuously evolving landscape in which the ORNL operates.

Finally, I would like to acknowledge the work and dedication shown by management and staff of the ORNL in what continued to be an extraordinary time in 2021. The entire team responded to the challenges presented with enthusiastic resolve and I would like to take this opportunity to thank all my colleagues for their support in ensuring players' interests were protected and the National Lottery's sustainability continued to be safeguarded.



Carol Boate
Regulator of the National Lottery
July 2022

1.2

The Regulator's Vision, Mission, and Values

The Regulator's VISION



The Regulator's vision reflects the statutory objectives given to her by the Oireachtas. This vision is for:

“a safe, sustainable, properly run National Lottery maximising funds for Good Causes”

The Regulator's role in achieving this vision is by carrying out her functions in a manner consistent with the statutory objectives reflected in the vision. The Operator of the National Lottery has the responsibility to operate the National Lottery in compliance with the Act and the Licence. The financial model in the Licence incentivises the Operator to maximise 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.



1.3 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 and an M.Sc. in Economics 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 35 years' 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 is a career public servant of more than 30 years. An experienced public sector professional with an Employment Law qualification, she spent 18 years in the Corporate Services Department of the National Disability Authority prior to joining the Regulator's Office. She also worked for 15 years in the office of the Chairman and Chief Executive of the Dublin Docklands Development Authority working on a broad range of projects and initiatives facilitating the entire organisation.



Mr Cian O'Sullivan
Head of Legal & Compliance

Mr O'Sullivan is a member of the Law Society of Ireland having qualified as a solicitor in 2001. He holds Bachelor of Civil Law and Master of Laws degrees as well as post graduate diplomas awarded by the Law Society of Ireland, the Irish Taxation Institute, and the Life Insurance Association. Before his appointment to the ORNL, he was 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.



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 ORNL, she was Head of Research Infrastructures and Evaluation at the European Science Foundation. She has had a long professional career in public policy research and evaluation as a consultant and evaluation specialist and has published many reports in Ireland and internationally. She was Head of the EU Structural Funds Industry Evaluation Unit at the Department of Enterprise, Trade and Employment for several years and was also a Programme Evaluator for the European Social Fund.



Mr David Scott
Accountant

Mr Scott is a Fellow of the Chartered Institute of Public Finance and Accountancy and holds a BSc degree in Mathematics. He has over 25 years' experience in finance, accounting, auditing, and corporate governance. Before joining the ORNL, 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.

1.4

The Functions of The Regulator

The Functions of the Regulator which support the vision above, 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 above points 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.

1.5

Oversight of the Operator

The ORNL monitors and enforces compliance by Premier Lotteries Ireland DAC, 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 ORNL fulfils this function through regular and proactive oversight of the Operator. This includes:

- ▶ reviewing the performance of the Operator against defined performance standards.
- ▶ oversight of processes and controls applied by the Operator.
- ▶ monitoring of advertising and promotion activities of the Operator.
- ▶ acting on complaints received from the public.
- ▶ proactive themed reviews.
- ▶ investigations.

Thirty-one different types of reports were received on a regular basis from the Operator in 2021 (see Appendix B). These cover various aspects of the business, including finance, governance, technology, customer service and game performance.

1.5.1 | Performance of the Operator

The performance of the Operator is monitored and assessed by reference to projected standards to be achieved in each year. See Appendix A for extracts from the 2021 annual performance standards report from the Operator.

In 2021 the Operator undertook a review of performance measurement and classification of complaints handling - to ensure efficient and effective customer service response times and issue resolution while at the same time allowing for complete resolution of issues that may need more time or escalation within the customer services team. The review resulted in a proposal to the Regulator to change the measurement of complaints resolution and response times and the Regulator agreed to the changes in October 2021.

Up to 2021, performance in relation to complaints resolution was measured by:

- ▶ Responses to complaints within 10 working days.
- ▶ Resolution of complaints and enquiries at first attempt.

Effective from Quarter 4, complaints resolution performance is measured by:

- ▶ Responses to complaints within 2 working days.
- ▶ Responses to complaints within 5 working days.
- ▶ Responses to complaints within 10 working days.

The new metrics provide more appropriate targets to ensure that participants receive both a prompt reply and a complete and considered resolution of their complaint. Both sets of metrics are included in Appendix A this year to reflect the change in measurement in Quarter 4 and to demonstrate performance appropriately.

1.5.2 | Sales, Channels, and Funds for Good Causes

As reported by the Operator, National Lottery ticket sales for 2021 amounted to €1,053.7 million (2020: €918.9 million). Sales for draw based games were €708.4 million (2020: €592.0 million), while sales for instant games (scratch card games and interactive instant win games) were €345.3 million (2020: €326.9 million)

The size of the retail channel network decreased slightly in 2021. The Operator reported that there were 5,326 active retail agents as of 31 December 2021, down 1.6% from 2020 (5,415). Online sales grew to €175.1 million and represented 16.6% of total sales (2020: 14.8%).

Returns **generated** for Good Causes continued to grow. The Operator's accounts show that the returns generated for Good Causes increased by 19.9% to €304.0 million (2020: €253.6 million). (The annual prize pay-out percentage varies from year to year owing to changes in the mix of products sold in any given year, which in turn determines amounts generated for Good Causes from the total sales.)

A summary for the years 2015 (first full year of operation under the Licence) to 2021, from the Operator's accounts, is as follows:

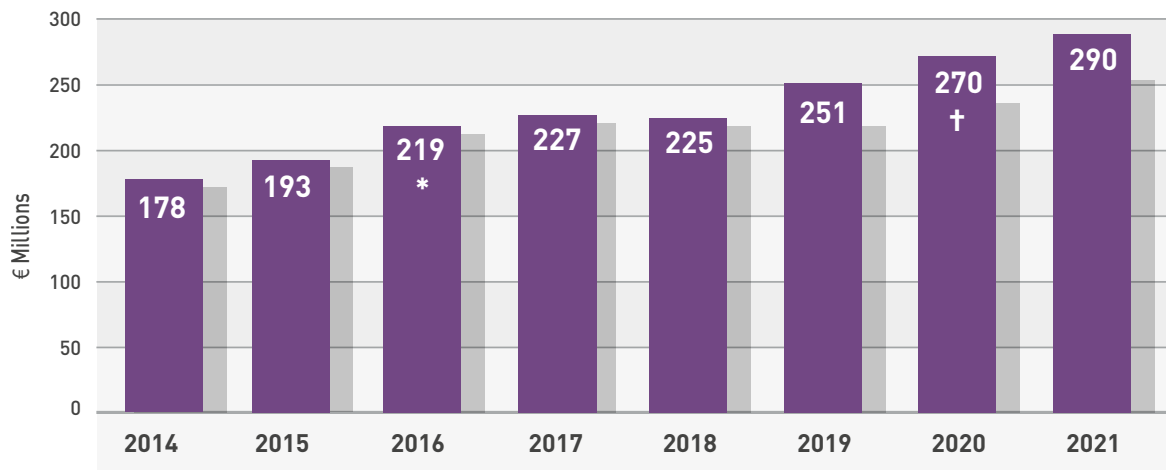
Year	2015	2016	2017	2018	2019	2020	2021
Sales	€670.4m	€750.2m	€800.2m	€805.0m	€884.5m	€918.9m	€1,053.7m
Prize pay-out %	56.85%	56.25%	56.49%	56.35%	56.25%	57.56%	55.61%
Generated for Good Causes	€188.0m	€213.3m	€226.3m	€228.5m	€251.6m	€253.6m	€304.0m

The total amount **transferred** from the National Lottery Fund by the ORNL to the Exchequer for distribution to Good Causes in 2021 was €289.7 million (2020: €270.3 million), an increase of 7.2% on 2020. On a like for like basis, there was a 14.0% increase in the amounts transferred for distribution to Good Causes from 2020 to 2021 (because the transfers in 2020 included an amount of €16.1 million in respect of historical expired unclaimed prizes).

The returns to Good Causes generated by the Operator in 2021 relate to ticket sales recorded in that calendar year, i.e., 1 January to 31 December 2021. Funds for Good Causes transferred to the Exchequer during 2021 (which are on a cash receipts basis), other than in respect of historical expired unclaimed prizes, relate to monies earned from ticket sales in the 52-week period from 13 December 2020 to 11 December 2021.

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 Premier Lotteries Ireland commenced to operate the National Lottery, to 2021 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 €219m included €7m in respect of historical sums carried forward in the National Lottery.

† The transfers in 2020 included an amount of €16.1 million in respect of historical expired unclaimed prizes.

1.5.3 | Player Protection

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 as under 18 years of age).
- ▶ Players at risk of excessive or problem play.

While many people enjoy and engage safely in National Lottery activity, certain groups or individuals can be vulnerable or susceptible to problem play. Minors who gamble are much more likely to develop problems with gambling than adults. Some features of games and of gaming environments can drive repetitive patterns of play, amplifying player risk, 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 game tickets, and a thorough assessment of the level of risk attached to each new game proposed. The Regulator continuously researches and identifies processes and practices that have demonstrated effectiveness in preventing or minimising risk of harm.

Effectiveness of Controls for Online Play

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

- ▶ Registration of an account.
- ▶ Daily, weekly, and monthly spend limits.
- ▶ Facility for setting lower personal spend limits.
- ▶ Self-exclusion arrangements.
- ▶ Limit on account balance.
- ▶ Payment of large prizes being contingent on proof of age and identity.
- ▶ Payment of large prizes by cheque.

The Schedule 9 controls (together with other requirements under the Licence – in particular the requirement for the Operator to employ responsible gaming practices), properly applied, help prevent problem gaming.

While there is very little evidence of minors playing National Lottery games online, the Regulator is always aware that minors may seek to access online National Lottery products. Over the past few years, new more frictionless, 'real time' technologies for the online receipt of identity documentation and verification of age and identity information have emerged and have been incorporated into the National Lottery online channel, together with a campaign to encourage and normalise age and identity verification for the purchase of National Lottery tickets online.

A review by the ORNL in 2021 of how the age and identity of online gambling customers are verified internationally found that it is now the norm throughout the European Union to require this upon account opening.



While different processes and controls apply in different jurisdictions, in general, technological developments are being harnessed to improve age and identity verification online.

In July 2021, the Regulator wrote to the Operator regarding the limitations of the controls in Schedule 9 and the opportunity to enhance these controls to prevent harm from problem and underage gaming. The controls in Schedule 9 mean that minors cannot register to play online with their true age but do not prevent minors from registering and playing online with a false age. Also, while algorithms are in place to detect and prevent existing players from opening a second account to circumvent the spend limits or a self-exclusion, their effectiveness would be improved by requiring proof of identity for all accounts.

The Operator confirmed that it was committed to introducing mandatory identity verification for all accounts and was testing various process and technology options on subgroups of players. From 6 December 2021, providing a photo of identity documentation (typically a passport or driver's licence) became a mandatory step to purchase a National Lottery product online via a newly registered National Lottery account. The Operator assesses that the document is legitimate and that information in the document is consistent with identity information provided by the player in the account. This mandatory identity verification is being applied to all previously registered accounts on a phased basis.

Mandatory identity verification improves the effectiveness of controls in relation to preventing minors from purchasing National Lottery tickets online. It also supports the spend limits and self-exclusion controls by better preventing players from circumventing them through a second account.

Technology and processes continue to evolve and provide opportunities for additional and improved responsible gaming practices. The Regulator will continue to conduct research, liaise with other regulators about good practice, and keep abreast of developments in this regard.

Monitoring Online Play

In addition to ensuring that the controls under Schedule 9 are effective, the Operator identifies patterns of player activity that may be indicative of problem play. The Operator interacts with the player to raise his or her awareness of how their play differs from other players and the available supports, including facilities to set spending limits, self-exclusion, and third-party support services. This interaction begins with an email and can be escalated to a phone call and, ultimately, the exclusion of a player from the online channel by the Operator.

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

- ▶ 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, for example, 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.

1.5.4 | Responsible Advertising and Promotion

Clause 9 of the Licence provides for an Advertising and Promotion Code of Practice ("the Code") giving the Operator clear guidelines to ensure responsible marketing communication and advertising practices consistent with the laws on advertising in the State. The Code must be reviewed annually by the Operator and any changes must be approved for use by the Regulator, and this was completed in 2021.

The ORNL regularly monitors the Operator's marketing communication channels to ensure that it follows responsible advertising and gaming practices as per the Code and other clauses of the Licence. The information provided must be transparent, accessible, and not misleading. Players should not intentionally or unintentionally be exposed to communications likely to result in underage or irresponsible play.

The Regulator did not find any breach by the Operator in the execution of its advertising and promotion campaigns in 2021.

1.5.5 | 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 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 (<https://www.rnl.ie/wp-content/uploads/2021/01/Participants-Code-of-Practice-2020-Approved.pdf>) and from the Operator. Details on how to complain to the ORNL and the complaints process are set out on the Regulator's website (<https://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 to see 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. The Regulator received 75 complaints in 2021.

Summary of complaints received by the Regulator in 2021 and Action Taken

Subject Matter of Complaints	Numbers
Online Experience	25
Information Provided	15
Game Design/Experience	6
Expired Scratch Cards	1
Quality of Materials	1
Retailer Complaint	5
Equipment Not Functioning in Retailer	2
Unprecedented Lotto jackpot rollover	20
Total	75
Action Taken by Regulator	Numbers
The ORNL responded directly	39
The Operator responded after contact from the ORNL	33
Ongoing complaints on 31 December 2021	3

Presentation of Odds of Winning

Further to complaints from players received by both ORNL and the Operator, the Regulator reviewed in 2021 how the odds of winning a prize are communicated on scratch cards. Some players misinterpret the standard presentation of the average odds on the reverse of tickets (for example, "AVERAGE 1 IN 4 WINS CASH"). In a scratch card game with average odds of 1 in 4 of winning a prize, this average is across hundreds of thousands of tickets.

To provide context for the average odds, the Regulator proposed to the Operator that scratch cards include the odds of winning the top prize on the reverse. Probability and randomness and how they operate in very large number sets are difficult concepts to understand. Providing the odds of winning the top prize can ground the player in the real odds of winning the top prize. This is in the interests of players; it provides information about a key feature of the product and helps prevent problem gambling. The Regulator further requested the Operator to include the odds of winning the top prize on the landing page of every National Lottery game on lottery.ie – whether an instant win game or draw based game – so that players have immediate sight of this key information. The Operator agreed.

The National Lottery website was updated to include the odds of winning the top prize on the landing page of every National Lottery game and as new scratch card games are printed they will include the odds of winning the top prize on the reverse.

1.5.6 | Themed Reviews

During 2021 the ORNL conducted the following themed reviews.

Online Instant Win Game Rules Review

A review was conducted of the published game rules for online Instant Win Games (IWG) on sale in October 2021. On 26 October 2021, 15 IWGs were on sale on the Operator's website. The 15 sets of game rules published by the Operator on the website were compared with the rules approved by the Regulator for those games and were found to be consistent in all material respects.

Trademarks

Clause 7 of the Licence contains a number of provisions relating to trademarks and copyright and the roles of the Regulator and the Operator. In accordance with clause 7.3.3 the Operator is required to display the National Lottery logo on tickets, documents and equipment relating to the National Lottery.

The Regulator monitors the use of trademarks on an ongoing basis and completes a structured review of the Operator's compliance annually. No requirement for enforcement action was required in 2021.

Capacity and Cyber-Security of the Operator's IT and Communications Systems

In 2020, the Regulator commissioned independent expert IT consultants from Grant Thornton to review the Operator's IT and communications systems and report on their quality and capacity - including their cyber security preparedness. External expert reviews of aspects of the operation of the National Lottery on behalf of the Regulator are a useful tool for supplementing the expertise within the ORNL and obtaining independent assurance that the Operator's systems are fit for purpose. The National Lottery infrastructure requires continual investment - to replace hardware and software as it expires, to maintain capacity as it grows, and to have appropriate security as cyber threats evolve - as well as regular monitoring and testing (such as failover testing).

The review concluded in 2021. Based on the findings in Grant Thornton's report and other related evidence and information available to the Regulator, the Regulator was satisfied that the Operator was taking the appropriate steps to ensure their systems have the necessary capacity and capability to operate the National Lottery with all due propriety and to protect the National Lottery from cyber-attacks. The Regulator required the Operator to provide quarterly updates on its activities in this area to ensure that this continues to be the case.

1.5.7 | Enforcement

Self-Exclusion

Schedule 9 of the Licence relates to online play and paragraphs 6(b) and 6(c) provide that players may self-exclude from playing all National Lottery games for varying minimum periods of six months and one month respectively. During the period of self-exclusion, a player's account shall be closed and they will receive no marketing messages.

In July 2021, the Operator reported to the Regulator that marketing communications had been sent in error to forty-eight players who had self-excluded. These players had self-excluded, either through the automated system on the National Lottery website or via the Operator's customer service centre, but subsequently received marketing communications in error due to a time lag in the Operator's system. There was a lag of up to 36 hours from the point the player chose to self-exclude to the point the system excluded the player from marketing emails. In August 2021, the Regulator initiated a compliance intervention to assess the Operator's compliance with Schedule 9 of the Licence.

Based on the clear wording of Schedule 9(6)(b) and (c), the Regulator took the view that the period of self-exclusion commences when a player chooses to self-exclude and no marketing messages will be received during the period of self-exclusion.

Following a full review, the Operator accepted that it had breached Schedule 9 of the licence. It was established that, while they received marketing communications, none of the forty-eight players were able to play National Lottery games during the period of self-exclusion – the suspension of the accounts took immediate effect. The Operator did not derive any financial benefit from the breach and introduced measures for both methods of self-exclusion (website and customer service centre) that would ensure the cessation of marketing messages due to self-exclusion takes effect in real time.

Having carefully considered the matter, the Regulator decided that the Operator had failed to comply with Schedule 9, paragraphs 6(b) and (c) of the Licence. As the Operator derived no benefit from the non-compliance and took corrective measures to eliminate this error in future, and there was no discernible harm to the players or the reputation of the National Lottery, no further action was necessary. The Regulator will continue to closely monitor the Operator's compliance with its obligations under Schedule 9 of the Licence.

1.6

Regulatory Requests under the Act and the Licence

Some aspects of the Operator's activities require the Regulator's written approval of 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 line.
- ▶ 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

Clause 23 of the Licence provides for and sets out the procedure for any requests made by the Operator that require the Regulator's review and approval. Every request for approval is closely examined to assess whether it complies with a range of provisions in 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 is submitted which addresses the concerns of the Regulator, a request would be ultimately approved. Where the Operator is unable to address the concerns, within the required timeframe, a request would either be rejected by the Regulator or withdrawn by the Operator.

2021 Requests

2021 saw a continuation in the increased volume and complexity of requests experienced in 2020. In 2021, 52 requests were received from the Operator. (For context, 59 requests were received in 2020, the highest number ever under the Licence and due in part to the pandemic, and 37 in 2019, which represented the typical number of requests received in a year.)

Status	All Requests	Game Related
Received	52	34
Approved	38	25
Refused	0	0
Withdrawn by Operator	4	1
Under consideration on 31 December 2021	10	8

See Appendix C for details.

Details of requests received in previous years are available on the Regulator's website (<https://www.rnl.ie/wp-content/uploads/2022/06/Requests-From-Operator-to-31-December-2021-1.pdf>).

Lotto Will Be Won Draw

The Lotto jackpot experienced an unprecedented roll over in 2021. For 63 consecutive Lotto draws from 9 June 2021 to 12 January 2022 there was no ticket that matched all six Lotto ball numbers drawn. The Lotto jackpot reached a record-breaking €19,060,800 on 29 September 2021, at which point it was capped in accordance with the game rules and stayed at that amount. The cap on the Lotto jackpot was introduced in 2015. When the cap is reached, the percentage of ticket sales revenue that that would ordinarily go into growing the jackpot further are instead added to augment the next prize tier where there is at least one winner (usually the Match 5 plus Bonus tier but sometimes the Match 5 tier).

This was the first time that the cap was applied and it, together with the continuing jackpot rollovers, generated considerable public interest. The Regulator was invited to appear before the Joint Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach, to explain how the Lotto game operates. The Regulator assured the Committee and the public that the game was operating in line with the game rules and there were no regulatory issues. At all times during the extended jackpot roll over, routine checks were being conducted to ensure that each Lotto draw was operating in line with the game rules - including checks after the cap was reached that the monies were correctly going into the appropriate prize tier below. Lotto is a game of chance and, while unusual, long roll overs can occur and very frequent jackpot wins can also occur. Lotto is designed so that, regardless of the size (or cap) of the jackpot, for every euro spent on Lotto tickets:

- ▶ 52c goes into prizes.
- ▶ 31.2c is returned to good causes.
- ▶ 6c goes to the retailer in commission.
- ▶ the remaining 10.8c goes to the Operator from which they pay the costs of operating the game.

A formal request was submitted by the Operator to the Regulator on 7 December 2021 for a new "Will be Won" feature in the Lotto Game rules, to bring the long jackpot rollover to an end. The change proposed that the full Lotto jackpot monies would roll down to a winner or winners in the next winning prize tier if not won by a Match 6 ticket on a date determined by the Operator within the limits of the rules. The new game feature would also guarantee a timeframe by which unusually long rollovers will end in future, which is within five draws of the jackpot reaching its cap.



The Regulator prioritised the regulatory checks to ensure that any changes to the Lotto game rules were in the interest of players, that the National Lottery is run with all due propriety and subject to these, that returns to Good Causes are maximised. The Regulator requested further essential information, tests, and assurances from the Operator on its proposal and these were provided in the final weeks of 2021 and the first week of 2022. Once satisfied that the Will Be Won change met all regulatory requirements, the Regulator approved the request on 12 January 2022 and the first Will Be Won Lotto Draw was held on 15 January 2022. The €19.1 million jackpot was won by a single ticket matching all 6 numbers drawn. The flow down of amounts that would otherwise have been added to the jackpot for 15 January 2022 resulted in a prize fund of circa €5.5m for the 149 ticketholders of Match 5 tickets, with each winning €36,687.

1.7 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.

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 Act, prizes must, on average across the portfolio of National Lottery games, be at least 50% annually. During 2021, €289.7 million was transferred to the Exchequer for Good Causes - compared with €270.3 million in 2020 (of which €16.1 million was in respect of historical expired unclaimed prizes).

Amounts for Good Causes are retained in the Fund and transferred to the Exchequer by the Regulator every two months.

Weekly Settlement

Each week the Regulator reviews the Operator’s “weekly settlement report” of sales of National Lottery tickets regarding each scratch card, draw based game, and online instant win game. Checks are performed regarding the amounts allocated to prizes, Good Causes, retailers, and the Operator. The ORNL also cross-references this financial information with 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 and the percentage going to retailers, are all accounted for correctly.

During 2021,

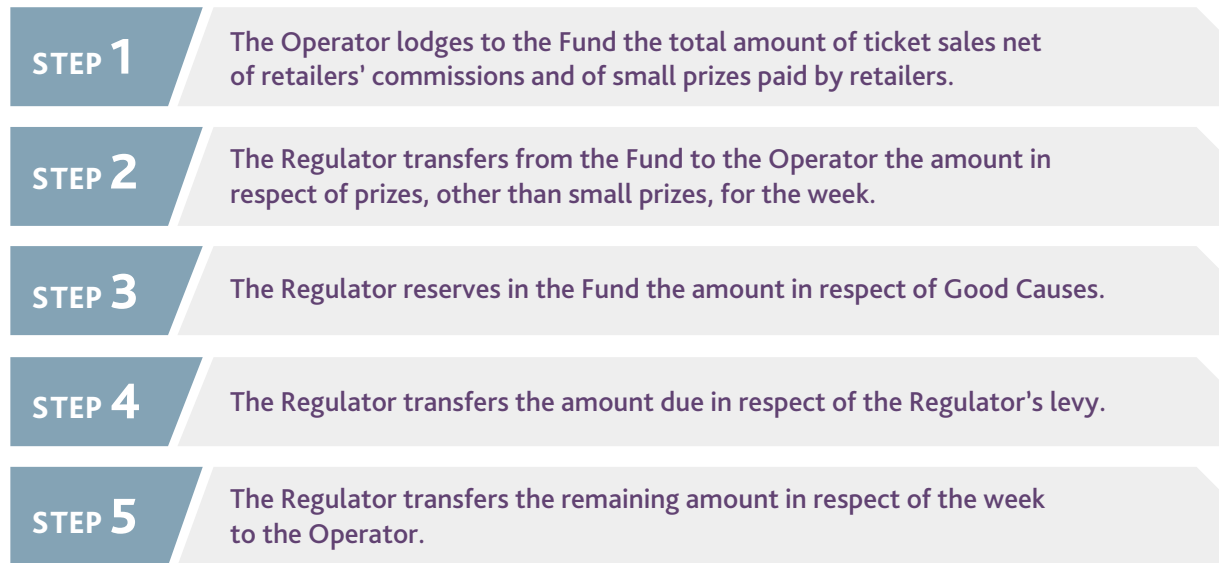
€289.7 million



was transferred to the Exchequer for Good Causes - compared with **€270.3 million** in 2020

Transfers of Funds

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



Amount due to Prize Fund Account

The Operator is required to hold a Prize Fund Account specifically for the receipt and payment of prize monies. The amount paid each week into the Prize Fund Account is based on the estimated prizes won, as it is not possible to base it on the actual prizes won in a particular week. It is also possible for the actual prizes won in a particular week to exceed the proceeds from sales paid into the Fund for the same week (due to high jackpot and top prize wins in a week). This means that the balance available in the Prize Fund Account will vary from the actual prizes won in National Lottery games that have yet to be claimed.

To comply with the Act, the Prize Fund Account must be reconciled periodically to ensure it has sufficient funds to pay prizes. However, the Licence to operate the National Lottery did not specify when or how such a reconciliation should take place. While there was never a situation where the Prize Fund Account was not able to pay a prize under the Licence to date - and such a situation is unlikely - it could arise at some point in the remaining lifetime of the Licence. For that reason, the Regulator and Operator took steps to address the matter, using an amendment to the Licence.

The Regulator determined that the National Lottery Fund is liable for the actual prizes won, and the Licence requires that the amounts to be paid into and out of the Fund on a weekly basis were to be calculated by reference to the estimated prizes associated with the sales in that week (as has been done to date), with an annual reconciliation to actual prizes won to take place after the end of each Financial Year to calculate the annual payment adjustment required to the Prize Fund Account.

Following extensive engagement with the Operator, the Regulator proposed to amend the Licence to provide for the form and timing of an annual reconciliation of the Prize Fund Account and in May 2021 reached agreement on this proposal with the Operator. The amendment can be found in full on the Regulator's website (<https://www.rnl.ie/wp-content/uploads/2021/09/FINAL-2021-Prize-Fund-Reconciliation-Licence-Amendment-for-Publication.pdf>).

There will be an adjustment in March/April every year for Good Causes' (65%) share of the adjustment to the Prize Fund Account, which will be reflected in subsequent transfers to the Exchequer. The direction of the adjustment each year could be to increase or reduce returns transferred to Good Causes, to agree with the actual returns earned for Good Causes. The scale of the adjustment required in any financial year will vary from year to year and will be recorded in the accounts for the Fund.

At 31 December 2021 there was an amount of €6.2 million due to the National Lottery Fund from the Prize Fund Account, representing the National Lottery Fund's 65% share of the adjustment for the year ended 31 December 2021, and this amount was received by the National Lottery Fund on 31 March 2022. (At 31 December 2020 the National Lottery Fund had a liability to the Prize Fund Account of €5.7m and that amount was paid to the Prize Fund Account on 22 June 2021.)

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.

Ministerial Review of the Transparency and Effectiveness of Good Causes Funding Distribution

In September 2021, the Minister for Public Expenditure and Reform announced that he had commissioned independent consultants to support his Department's review of the transparency and effectiveness of how National Lottery Good Causes funding is distributed.

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.

1.8 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.

Two issues arose in 2021 that warranted action to protect the trademarks of the National Lottery, and they were acted on during this period as follows.

In March 2021, the Operator became aware of numerous suspected infringements of National Lottery trademarks and intellectual property rights on several websites registered in Malta, and St Vincent and the Grenadines, and conducted a review of the extent of the issue. The Operator engaged legal representatives to request immediate cessation of these infringements and, at the time of publication, the matter is ongoing.

In October 2021, the Operator became aware of a social media page offering National Lottery tickets for EuroMillions and Lotto as prizes and images of these tickets were clearly visible. A cease-and-desist letter was immediately issued by the Operator to the company operating the social media page and confirmations were received that the images had been removed. Follow up checks have confirmed this deletion.

In 2021, no issue required the Regulator to enforce the trademark rights of the National Lottery.

1.9

Amendments to the Licence

Prize Payment

In 2020, due to travel restrictions resulting from public health measures implemented to mitigate the spread of COVID-19, the Regulator and the Operator agreed a temporary amendment to the Licence to allow for prizes over €10,000, which the Licence required be claimed in person at National Lottery Headquarters, to instead be claimed remotely. The new remote claims procedure for these “high-tier” prizes built on the postal claim process that was already in place for lower value prizes.

In February 2021, and subsequently in December 2021, due to ongoing COVID-19 related restrictions on travel, the Regulator approved the extension of the duration of this temporary amendment. In April 2021, the Licence was further amended to allow for a member of the National Lottery team to travel to the homes of winners of high-tier prizes to collect the required documentation to process claims at National Lottery Headquarters. These amendments can be found on the Regulator’s website (<https://www.rnl.ie/publications-and-research/legislation-licence/>).

Prize Fund Account – Annual Reconciliation

The Operator is required to hold a Prize Fund Account specifically for the receipt and payment of prizes monies. The amount paid each week into the Prize Fund Account is based on the estimated prizes won, as it is not possible to base it on the actual prizes won in a particular week, and so the balance available in the Prize Fund Account will vary from the actual prizes won in National Lottery games that have yet to be claimed.

To comply with the Act, the Prize Fund Account must be reconciled periodically to ensure it has sufficient funds to pay prizes. However, the Licence to operate the National Lottery did not specify when or how such reconciliation should take place. In case of the highly unlikely event of there being insufficient funds for prize payment, the Regulator and Operator took steps to address the matter and amended the Licence.

Following extensive engagement with the Operator, the Regulator proposed to amend the Licence to provide for an annual reconciliation of the Prize Fund Account and in May 2021 reached agreement on this proposal with the Operator. The Regulator determined that the National Lottery Fund is liable for the actual prizes won, and the Licence requires that the amounts to be paid into and out of the Fund on a weekly basis were to be calculated by reference to the estimated prizes associated with the sales in that week (as has been done to date), with an annual reconciliation to actual prizes won to take place after the end of each Financial Year to calculate the annual payment adjustment required to the Prize Fund Account.

The amendment can be found in full on the Regulator’s website (<https://www.rnl.ie/wp-content/uploads/2021/09/FINAL-2021-Prize-Fund-Reconciliation-Licence-Amendment-for-Publication.pdf>).

1.10 Corporate Affairs

1.10.1 Remote and Blended Working

Prior to 2020, the ORNL operated as an office-based organisation with limited remote working capability. However, by the time the first lockdown was announced in March 2020, the ORNL had switched to 100% remote working, in a secure IT environment, and put in place new controls governing processes and procedures tailored for remote working.

In 2021, further changes and enhancements were made to the ORNL's IT systems and internal policies and procedures to reflect current and anticipated remote and blended working requirements. A comprehensive expert review of the ORNL's cyber security preparedness was conducted and the recommendations acted upon. The ORNL supported its staff in 2021 through a range of regular events and various resources, to maintain staff connection, wellbeing, and morale in the continued remote working environment.

To prepare for a blended/hybrid working environment, as the ORNL began its phased return to the office, the Regulator engaged an external consultant to provide two staff workshops on "Making Hybrid Work" and conducted one-to-one consultations with staff. The workshops and consultations were designed to equip the ORNL to move to a blend of office-based and remote working in a manner that would underpin a productive and effective organisation.

1.10.2 Strategy

In 2021, the Regulator developed the organisation's third strategy statement. The first seven years of the Office's existence has been a time of immense change and progress in the operation and regulation of the National Lottery. Given the rapidly evolving environment in which the National Lottery operates, a three-year strategy period was determined. The strategy for 2022 to 2024 equips the Regulator in fulfilling her statutory requirements in a manner that is responsive to the continuously evolving landscape in which the ORNL operates. It includes certain projects that were deferred in 2020/21 to redirect resources to the more urgent novel matters that arose because of the pandemic or because face-to-face research could not yet be carried out safely. The ORNL Strategy 2022 to 2024 can be found on the Regulator's website (<https://www.rnl.ie/wp-content/uploads/2022/04/RNL-Statement-of-Strategy-2022-24-Final-For-Publication.pdf>).

1.10.3 | Corporate Governance

Corporate Governance Code of Practice

The governance practice of the ORNL is based on the 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 which provides for an individual office holder without a board.

A new Corporate Governance Assurance Agreement with the Minister for Public Expenditure and Reform is in place for 2022 to 2024 and formally documents compliance by the ORNL with the Code, including derogations and adaptations appropriate to the structure of the ORNL.

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.

Public Sector Human Rights and Equality Duty

In accordance with Section 42 (1) of the Irish Human Rights and Equality Commission Act 2014, we will meet our obligations to eliminate discrimination, promote equality of opportunity and treatment, and protect human rights of all our customers, both external and internal.

In 2021 the Regulator updated her Customer Charter with an action plan to ensure that the ORNL met the obligations of the Act as follows:

- ▶ We will regularly assess any human rights and equality issues that the work of the Regulator directly or indirectly affects or is affected by.
- ▶ We will regularly review and update our policies in full consideration of the need to promote equality of opportunity and treatment, and protection of human rights of all those we engage with.

The Regulator's Customer Charter and Action Plan 2021-2023 can be found on the Regulator's website (<https://www.rnl.ie/wp-content/uploads/2021/05/Customer-Service-Charter-Action-Plan-2021-2023-For-Publishing-.pdf>).

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. The Regulator of the National Lottery has been a Prescribed Person under the Act since 24 September 2020.

No protected disclosures were received by the Office of the Regulator of the National Lottery in the reporting period 1 January 2021 to 31 December 2021.

1.10.4 | 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 2021 was €1,517,500.

Staff

The Ministerial sanction for the Office of the Regulator in 2021 was for 10 staff (including the Regulator). There were no vacancies at any time in 2021.

1.10.5 | Annual Report and Accounts

The annual accounts of the Regulator for 2021 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.

1.10.6 | Internal Audit

The Regulator agreed a programme of internal audits conducted in 2021 by the ORNL's appointed internal auditors, with reports being submitted to the Regulator. Internal audits addressed both the National Lottery Fund and the Office of the Regulator and included assessment of financial and other internal controls, assessment of controls in respect of payroll and credit card payments and review of risk management and player protection.

In 2021, the ORNL engaged Mazars to conduct an audit of its ICT systems and security. This independent external audit was undertaken to ensure that the systems used by the ORNL are secure and risk is minimised as the organisation considers hybrid working models and continues to update its technology to continue to deliver an efficient service.

1.10.7 | 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 and risk appetite statement for identifying, evaluating, and managing the risks it faces.

An executive Risk Committee is in place; 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. This review process continued in 2021 via remote meetings of the Committee.

1.10.8 | Legislative Requirements

Official Languages

The Regulator is compliant with the Official Languages legislation.

Freedom of Information

The Regulator came within the 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 fourteen freedom of information requests during 2021. No decisions were appealed to the Office of the Information Commissioner and one internal review was requested. Details of non-personal requests are published in the Freedom of Information Disclosure Log, which is available on the Regulator's website (<https://www.rnl.ie/wp-content/uploads/2022/07/FOI-Disclosure-Log-2021.pdf>).

Energy Consumption

The ORNL has one office, located in the Irish Life Centre, Dublin 1. The office is situated on part of 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 2021, the ORNL consumed 35.2 MWh of energy, consisting of:

- ▶ 5.6 MWh of electricity.
- ▶ 29.6 MWh of fossil fuels (heating).

Appendix A:

PLI's Performance Standards

Year to 31 Dec 2021	Standard	Achieved Performance	Forecast for 2022
Computer Systems			
Terminal availability to sell tickets*	99.00%	99.93%	99.50%
Gaming system availability	99.00%	100%	99.50%
Website availability	99.00%	99.87%	99.50%
* 7am to 10pm, excluding draw break, 7 days a week, excluding Christmas Day and prearranged outages			

Prize Payment			
Claims greater than €1,000 paid by cheque following a visit to National Lottery HQ	95.00% within 3 Hrs	100%	98.00%
	5.00% within 20 working days	0%	2.00%
Claims greater than €1,000 paid by cheque following a postal claim	95.00% within 5 Days	99.28%	98.00%
	5.00% within 20 working days	0.72%	2.00%

Player Services - Voice Contact			
Service availability*	99.00%	100%	99.00%
Calls answered within 30 seconds	70.00%	88.00%	90.00%
* 8am to 8pm, excluding draw break, 7 days a week, excluding Christmas Day and prearranged outages			

Player Services - Written Contact			
Service Availability*	99.00%	100%	100%
Letters answered within 5 working days	80.00%	96.00%	85.00%
Emails answered within 2 working days	80.00%	99.00%	95.00%
Responses to complaints within 10 working days - Jan - Sept 2021**	95.00%	97.00%	NA
Resolution of complaints and enquiries at first attempt - Jan - Sept 2021**	80.00%	34.00%	NA
Responses to complaints within 2 working days - Oct - Dec 2021**	85.00%	99.00%	85.00%
Responses to complaints within 5 working days - Oct - Dec 2021**	100.00%	100.00%	100.00%
Complaints to be closed within 10 working days - Oct - Dec 2021**	95.00%	97.00%	95.00%
* 9:15am to 5:30pm, Monday to Friday, excluding Christmas Eve and public holidays			
** Please see page 10 for information			

Appendix B:

Regular Reports Received from PLI

Report	Frequency
Good Causes Annual Report and External Auditors Report thereon	Annually
Audited Accounts of PLI	Annually
Annual Prize Fund Reconciliation Statement	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
Incremental Marketing Report	Annually
Audit Risk and Security Committee Report on the Effectiveness of PLI's System of Internal Controls	Annually
Engagement Letter with External Auditor	Annually
Significant Risks Summary (<i>previously Risk Registers</i>)	Quarterly
Annual Confirmation of Bank Accounts	Annually
Scratch Card Game End Reports	At Game End
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
Complaints Report	Monthly
Contact Centre Metrics Report	Monthly
Unclaimed Prizes Report	Periodically
Good Causes Report	Quarterly
Internal Audit Report	Quarterly
Minutes of Audit Risk and Security Committee Meetings	Quarterly
Player Protection Reports	Quarterly
Complaints Update	Weekly
Trading and IT Update	Weekly
Weekly Settlements	Weekly

Appendix C:

Requests from the Operator

Request Number	Date	Section of Approval Required	Game/Service Info.	Related to a Game	Amended/Further Info. sought	Status at 31 December 2021				
						Ongoing	Request Withdrawn	Ultimately Approved	Ultimately Refused	Decision Date
1	04/01/2021	Section 45	Bingo Multipler Amendment 261	Yes	Yes			Approved		03/03/2021
2	04/01/2021	Section 45	Cashword Doubler Amendment 263	Yes	Yes			Approved		10/03/2021
3	04/01/2021	Clause 18.3	Szreck Solutions RNG	No	Yes			Approved		28/04/2021
4	05/01/2021	Section 45	Instant Lotto	Yes	Yes			Approved		25/06/2021
5	15/01/2021	Section 45	All Cash 267	Yes	Yes			Approved		16/03/2021
6	29/01/2021	Clause 18.3	Web Application Development and Support Services	No	Yes			Approved		11/03/2021
7	12/02/2021	Clause 9.8	Seachtain na Gaeilge	No	Yes			Approved		01/03/2021
8	17/02/2021	Section 45	IWGS	Yes	Yes			Approved		07/12/2021
9	19/02/2021	Section 45	Claims Process Amendment Extension (February 2021)	No	Yes			Approved		07/04/2021
10	15/03/2021	Section 45	Lotto and Lotto Plus Amendment	Yes	Yes			Approved		13/09/2021
11	16/03/2021	Section 45	Lucky 7s Amendment	Yes	Yes			Approved		09/04/2021
12	19/03/2021	Clause 7.12 and Clause 9.8	Commercially Sensitive	No	Yes		Withdrawn			07/07/2021
13	26/03/2021	Section 45	Extension to IWG Approval	Yes	Yes			Approved		31/03/2021
14	31/03/2021	Section 45	Bingo 90	Yes	Yes			Approved		07/05/2021
15	06/04/2021	Clause 9.8	Commercially Sensitive	No	Yes		Withdrawn			07/07/2021
16	12/04/2021	Schedule 9	E-Payments	No	Yes			Approved		03/08/2021
17	14/04/2021	Section 45	Lucky Rainbow IWG	Yes	Yes			Approved		17/06/2021
18	14/04/2021	Section 45	Lucky Rainbow Doubler IWG	Yes	Yes			Approved		17/06/2021
19	15/04/2021	Section 45	Double Your Money - Game 271	Yes	Yes			Approved		24/05/2021
20	15/04/2021	Section 45	Hampers and Cash 268	Yes	Yes			Approved		07/05/2021
21	15/04/2021	Clause 7.11	Circle K Trademark	No	No			Approved		16/04/2021
22	30/04/2021	Section 45	Claims Process Amendment - Changes to Game Rules	No	No			Approved		04/05/2021
23	05/05/2021	Clause 9.8	Commercially Sensitive	No	Yes		Withdrawn			12/05/2021
24	27/05/2021	Section 45	Grid of Fortune IWG	Yes	Yes			Approved		29/06/2021
25	10/06/2021	Clause 18.3	BOIPA	No	Yes			Approved		14/07/2021

Game related

Request Number	Date	Section of Approval Required	Game/Service Info.	Related to a Game	Amended/Further Info. sought	Status at 31 December 2021				
						Ongoing	Request Withdrawn	Ultimately Approved	Ultimately Refused	Decision Date
26	09/07/2021	Section 45	Retailer Authorisation	No	No			Approved		21/07/2021
27	16/07/2021	Section 45	Bank of Cash IWG	Yes	Yes			Approved		19/08/2021
28	04/08/2021	Section 45	Lucky 3s - Game 266 Amendments	Yes	No			Approved		05/08/2021
29	05/08/2021	Clause 18.3	Zero Day Labs	No	Yes			Approved		15/09/2021
30	09/08/2021	Section 45	Money Multiplier - 248 Amendments	Yes	No			Approved		11/08/2021
31	09/08/2021	Section 45	Christmas Millionaire Raffle 2021	Yes	Yes			Approved		14/09/2021
32	09/08/2021	Section 45	Mega Money Multiplier- 249 Amendments	Yes	No			Approved		12/08/2021
33	10/08/2021	Section 45	Instant Lotto 247 - Amendments	Yes	Yes			Approved		19/08/2021
34	11/08/2021	Section 45	Fame and Fortune IWG	Yes	Yes			Approved		04/10/2021
35	18/08/2021	Section 45	Rules Project	Yes	Yes	Ongoing				
36	19/08/2021	Section 45	Smart Play Amendments	Yes	Yes			Approved		04/10/2021
37	20/08/2021	Clause 7.11, Clause 7.12	Select Retailers and Trademarks	No	Yes	Ongoing				
38	20/08/2021	Section 45	IWG Re-Skin Category	Yes	Yes	Ongoing				
39	26/08/2021	Clause 7.11, Clause 7.12	Retailers and Trademarks (Jackpots)	No	Yes			Approved		22/10/2021
40	27/08/2021	Section 45	Tellybingo	Yes	Yes			Approved		16/12/2021
41	10/09/2021	Section 45	Knockout Numbers IWG	Yes	Yes			Approved		06/10/2021
42	20/09/2021	Section 45	Successor Games - Permanent Extension	Yes	Yes			Approved		24/09/2021
43	19/10/2021	Section 45	Big Time Bingo IWG	Yes	Yes	Ongoing				
44	10/11/2021	Clause 18.3	Version 1 Database	No	No			Approved		30/11/2021
45	02/12/2021	Section 45	Commercially Sensitive	Yes	Yes		Withdrawn			07/12/2021
46	03/12/2021	Section 45	All Cash Gift	Yes	Yes	Ongoing				
47	07/12/2021	Section 45	Amendment Lotto -MBW draw	Yes	Yes	Ongoing				
48	08/12/2021	Section 45	Rounding	Yes	Yes	Ongoing				
49	10/12/2021	Section 45	Claims Process Amendment Extension (December 2021)	No	No			Approved		20/12/2021
50	23/12/2021	Clause 18.3	Rapid 7 Security	No	Yes	Ongoing				
51	31/12/2021	Section 45	Mexican Moolah IWG	Yes	No	Ongoing				
52	31/12/2021	Section 45	California Cash IWG	Yes	No	Ongoing				
		Game related								



Regulator of the National Lottery Report and Financial Statements

for the year ended 31 December 2021

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General Information

Regulator of the National Lottery	Carol Boate
Address	Block D Irish Life Centre Dublin 1 D01 W2H4
Bankers	AIB plc. 7/12 Dame Street Dublin 2 D02 KX20 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 Dublin 7 D07 N4C6
Auditors	Comptroller and Auditor General 3A Mayor Street Upper Dublin 1 D01 PF72

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.

Governance Statement and Statement of Responsibilities

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 2021.

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 2021.
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 three meetings of the Risk Committee in 2021.

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

	2021	2020
	€	€
Staff short-term benefits	663,431	652,132
Termination benefits	-	-
Employer pension contributions	138,843	134,143
Employer's contribution to social welfare	69,811	67,510
	<u>872,085</u>	<u>853,785</u>

The total number of staff employed (WTE) at year end was 9 (2020: 9).

Governance Statement and Statement of Responsibilities

Staff Short-Term Benefits

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

	2021	2020
	€	€
Basic pay	<u>663,431</u>	<u>652,132</u>

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	
€		€	2021	2020
60,000	-	69,999	-	-
70,000	-	79,999	-	-
80,000	-	89,999	2	3
90,000	-	99,999	1	-
100,000	-	109,999	1	1
110,000	-	119,999	1	1

Key Management Personnel

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

	2021	2020
	€	€
Salaries	542,011	524,719
Employer pension contributions	118,652	113,902
	<u>660,663</u>	<u>638,621</u>

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:

	2021	2020
	€	€
Basic pay	118,432	115,209
Employer pension contributions	35,647	34,563
	<u>154,079</u>	<u>149,772</u>

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

	2021	2020
	€	€
Legal services	84,012	55,707
Tax and financial advisory	4,073	3,964
IT and Other	24,582	61,955
	<u>112,667</u>	<u>121,626</u>

The above costs are included as part of the professional fees in the financial statements of €154,220 (2020: €154,645). All amounts disclosed as legal services are in respect of legal fees.

Travel and Subsistence

	2021	2020
	€	€
Domestic	<u>-</u>	<u>4</u>

Nil (2020: Nil) of the above was paid in respect of the Regulator. Other expenses of €70 (2020: Nil) were paid to the Regulator.

Governance Statement and Statement of Responsibilities

Hospitality Expenditure

€452 was paid in respect of staff hospitality (2020: Nil).

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

21 June 2022

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 2021 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 three times a year. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

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 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.

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.

Controls and COVID-19 Restrictions

As a result of the Government travel restrictions imposed to address Covid-19, from March 2020 it has been necessary to adapt the method of working of the Office of the Regulator of the National Lottery. This has resulted in a change from a wholly office based, paper records, system to an almost total remote, soft-copy records system of working. The Regulator actively continues to monitor controls in the context of changes to work patterns resulting from the easing of Covid-19 restrictions, including the potential for the introduction of hybrid working arrangements, where appropriate.

The Office of the Regulator of the National Lottery has addressed the control environment to ensure that it is appropriate for the adapted working arrangements. This is in addition to the regular ongoing monitoring and review of controls. This has been achieved by active management of the control environment including:

- ▶ Operational management – the Regulator in conjunction with the management team have actively considered and updated all material controls in a timely manner, as necessary;
- ▶ Operational issues – the Regulator has monitored controls to ensure that appropriate authorisations are in place, that appropriate reconciliations and verifications take place in a timely manner, and that appropriate segregations of duties are maintained;
- ▶ Finance Committee – the Finance Committee has monitored the operation of controls with specific reference to the new remote working arrangements;
- ▶ Risk Committee – the Risk Committee has specifically considered, and where necessary updated, the risk register to ensure it addresses risks associated with remote working arrangements;

Statement on Internal Control

- ▶ Internal Audit – Internal Audit has specifically assessed the effectiveness of the controls in the remote working environment;
- ▶ IT systems – the Regulator, in conjunction with outsourced IT specialists, has monitored the effectiveness of the controls, particularly with regard to access and security;
- ▶ Internal Communications – the Regulator, through regular scheduled remote meetings with all staff, has ensured an awareness of, and focus on, maintaining a strong control environment;
- ▶ Physical controls – the Regulator has introduced appropriate physical controls to ensure continuity in the delivery of the functions of the Office and in the provision of a safe working environment for all staff;
- ▶ Delivery of outputs – the Regulator has monitored the delivery of outputs across the Office to ensure that the functions of the Regulator are being achieved;
- ▶ Fraud – the Regulator has specifically considered the risk of fraud and has ensured that appropriate controls are in place to mitigate such risks; and
- ▶ Continued oversight – the Regulator continues to closely monitor potential changes to working arrangements and impacts any such changes might have on the required controls.

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 2021 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 2021 and completed by 31 March 2022.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2021 that require disclosure in the financial statements.



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Carol Boate
Regulator of the National Lottery
21 June 2022



Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Regulator of the National Lottery

Opinion on the financial statements

I have audited the financial statements of the Regulator of the National Lottery for the year ended 31 December 2021 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 comprehensive income
- 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 2021 and of its income and expenditure for 2021 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Emphasis of matter - pension liabilities

Without qualifying my opinion on the financial statements, I draw attention to Note 10 pension provision, and to the recognition as at 31 December 2021 of an asset of €531,000 in respect of deferred pension funding.

Staff of the Regulator are members of two pension schemes: the Single Public Service Pension Scheme for staff recruited since 1 January 2013; or an administrative scheme reflecting the standard conditions of the 'model' pay-as-you-go scheme previously provided for in many public bodies. The 'model' pension scheme was submitted to the Department of Public Expenditure and Reform for approval in 2015.

The financial statements recognise liabilities estimated at €531,000 in respect of past service by staff members who are members of the Single Public Service Pension Scheme. The recognition of a deferred pension funding asset of a matching amount reflects the statutory provision relating to the funding of that scheme.

Liabilities accrued to 31 December 2021 in respect of staff service under the 'model' pension scheme have not been recognised in the audited financial statements, pending the approval of the scheme. The audited financial statements disclose the liabilities under this scheme only by way of note.

Report of the C&AG (continued)

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.



Paul Southern
For and on behalf of the
Comptroller and Auditor General

24 June 2022

Appendix to the report

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 annual 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.

- 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.

I 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.

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 I identify 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.

Statement of Income and Expenditure and Retained Revenue Reserves

for the financial year ended 31 December 2021

	Notes	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Income	3	<u>1,517,621</u>	1,521,900
Administration costs	5	<u>(1,292,406)</u>	<u>(1,263,988)</u>
Operating surplus		225,215	257,912
Interest (payable) / receivable	4	<u>(4,433)</u>	<u>(89)</u>
Surplus for the year		<u>220,782</u>	<u>257,823</u>
Retained earnings at the start of the year		<u>2,843,394</u>	<u>2,585,571</u>
Retained earnings at the end of the year		<u><u>3,064,176</u></u>	<u><u>2,843,394</u></u>

Notes 1 to 13 form part of these Financial Statements.



Carol Boate
Regulator of the National Lottery
21 June 2022

Statement of Comprehensive Income

for the financial year ended 31 December 2021

	Notes	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Surplus for the year		<u>220,782</u>	<u>257,823</u>
Experience (losses) / gains on retirement benefit obligations	10(b)	16,000	(37,000)
Changes in assumptions underlying the present value of retirement benefit obligations		<u>(2,000)</u>	<u>54,000</u>
Total actuarial gain / (losses) in the year		<u>14,000</u>	<u>17,000</u>
Adjustment to deferred retirement benefits funding		<u>(14,000)</u>	<u>(17,000)</u>
Total comprehensive income for year		<u>220,782</u>	<u>257,823</u>

Notes 1 to 13 form part of these financial statements.



Carol Boate
Regulator of the National Lottery
21 June 2022

Statement of Financial Position

as at 31 December 2021

	Notes	2021 €	2020 €
Non-current assets			
Property, plant and equipment	7	<u>35,856</u>	<u>49,835</u>
Current assets			
Debtors	8	121,905	130,549
Cash and cash equivalents		<u>3,059,289</u>	<u>2,891,601</u>
		3,181,194	3,022,150
Creditors (amounts falling due within one year)			
Creditors and accruals	9	<u>(152,874)</u>	<u>(228,591)</u>
Net current assets		3,028,320	2,793,559
Retirement benefits			
Retirement benefit obligations	10(b)	(531,000)	(401,000)
Deferred retirement benefit funding asset	10(c)	<u>531,000</u>	<u>401,000</u>
Net assets		<u><u>3,064,176</u></u>	<u><u>2,843,394</u></u>
Represented by			
Accumulated retained earnings	11	<u><u>3,064,176</u></u>	<u><u>2,843,394</u></u>

Notes 1 to 13 form part of these Financial Statements.



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Carol Boate
 Regulator of the National Lottery
 21 June 2022

Statement of Cash Flows

for the financial year ended 31 December 2021

	Notes	Year ended 31 December 2021 €	Year ended 31 December 2020 €
Net cash flows from operating activities			
Operating surplus for the year		225,215	257,912
Loss on disposal of fixed assets		297	-
Depreciation	7	18,482	17,461
(Increase) / Decrease in debtors		8,644	(5,426)
Increase / (Decrease) in creditors		(75,717)	(274,453)
Net cash inflow from operating activities		176,921	(4,506)
Cash flow from investing activities			
Payments to acquire property, plant and equipment	7	(4,800)	(15,971)
Cash flow from financing activities			
Interest (paid) / received	4	(4,433)	(89)
Increase in cash and cash equivalents		167,688	(20,566)
Cash and cash equivalents at the start of the financial year		2,891,601	2,912,167
Cash and cash equivalents at the end of the financial year		3,059,289	2,891,601

Notes 1 to 13 form part of these financial statements.



Carol Boate
Regulator of the National Lottery
21 June 2022

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

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 25% for leasehold improvements, 33⅓% 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 2021

1 | Accounting Policies (Continued)

(g) Employee benefits

Short-term benefits

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

Retirement benefits

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

The Regulator is currently establishing pension arrangements in respect of all employees in cooperation with the Department and is making the necessary deductions from salaries, which are transferred to the Exchequer monthly in arrears, as agreed with the Department.

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.

As a prescribed relevant authority, for the purposes of the Public Service Pension (Single Scheme and Other Provisions) Act 2012, provision is made for the pension liabilities in respect of Single Scheme members, together with recognition of a matching asset for the funding of the liability from Exchequer sources.

Subject to finalisation of the arrangements with the Department, the Regulator expenses employer contributions in respect of non-Single Scheme members and does not recognise a liability for future pension costs for non-Single Scheme members. Disclosure of the actuarial liability for non-Single Scheme members is included in note 10.

(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.

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

1 | Accounting Policies (Continued)

Retirement benefits

Subject to the decision of the Department of Public Expenditure and Reform, the Regulator has determined not to recognise pension liabilities with regard to non-Single Scheme members. Subject to receipt of formal confirmation of the funding of such non-Single Scheme liabilities from Exchequer sources, the Regulator will then include the liability, and matching asset, for non-Single Scheme pension liabilities.

Single scheme pension liabilities are recognised in the financial statements and an actuarial valuation of those liabilities, carried out by a qualified actuary, uses specific financial assumptions as set out in note 10.

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.

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 2021, the average Consumer Price Index of -0.3% for the 12 months ended 31 December 2020 as published by the Central Statistics Office on 14 January 2021 was applied by the operator.

	2021	2020
	€	€
Levy income, for the year	<u>1,517,621</u>	<u>1,521,900</u>

4 | Interest Costs

Included in interest payable of €4,433 (2020: €89) are negative interest charges of €4,407 (2020: nil). Negative interest charges arise as a result of funds held in deposit.

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

5 | Administration Costs

	2021	2020
	€	€
Salaries and staff costs	872,085	853,785
Professional fees (Note 6)	154,220	154,645
External audit*	17,200	15,600
Internal audit	23,309	20,691
Rent, service charges and maintenance	118,461	116,524
Cleaning, heat and light	2,450	3,264
Insurances	22,662	21,892
Travel and subsistence	452	4
Training costs and memberships	16,171	8,494
Office supplies and equipment	3,256	4,828
Information and communication technology	30,910	37,649
Publications	10,738	5,066
Depreciation	18,482	17,461
Other administration costs	2,010	4,085
	<u>1,292,406</u>	<u>1,263,988</u>

* External audit includes an amount of €6,900 (2020: €6,250) for audit fees in respect of the National Lottery Fund.

6 | Professional Fees

	2021	2020
	€	€
Legal services	84,012	55,707
Tax and financial advisory	4,073	3,964
Public relations/marketing	30,661	27,310
Pensions and human resources	8,191	3,909
IT and Other	27,283	63,755
	<u>154,220</u>	<u>154,645</u>

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

7 | Property, Plant and Equipment

	Leasehold Improvements €	Computer Equipment €	Office Fitting, Furniture & Equipment €	Telephone System €	Total €
Cost					
At 31 December 2020	48,839	43,689	6,856	4,182	103,566
Additions during year	-	2,920	1,880	-	4,800
Disposals during year	-	(7,391)	-	-	(7,391)
At 31 December 2021	48,839	39,218	8,736	4,182	100,975
Depreciation					
At 31 December 2020	12,881	30,261	6,407	4,182	53,731
Charge for year	12,210	6,017	255	-	18,482
Depreciation on disposals	-	(7,094)	-	-	(7,094)
At 31 December 2021	25,091	29,184	6,662	4,182	65,119
Net Book Value					
At 31 December 2021	23,748	10,034	2,074	-	35,856
At 31 December 2020	35,958	13,428	449	-	49,835

Leasehold improvements of €48,839 capitalised in 2019 are being depreciated over four years, being the period remaining under the property lease to November 2023.

8 | Debtors

	2021 €	2020 €
Accrued income	83,261	79,193
Prepayments	38,644	51,356
	121,905	130,549

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

9 | Creditors (amounts falling due within one year)

	2021	2020
	€	€
Trade creditors and accruals	115,746	188,084
Pension contributions (Note 10)	13,001	12,632
PAYE/PRSI	20,122	20,084
Additional superannuation contribution	1,935	1,859
PSWT liability	2,013	5,787
VAT liability	57	145
	<u>152,874</u>	<u>228,591</u>

10 | Pension Provision

A draft defined benefit pension scheme for the Office of the Regulator, based on the Public Service Model Scheme, was submitted to the Department of Public Expenditure and Reform 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) members, 25% of pensionable pay for non-Single Scheme (personal pension contribution) members, and of three times employee contributions for Public Service Pension (Single Scheme and Other Provisions) Act 2012 members (i.e. Single Scheme members) are, as agreed with the Department of Public Expenditure and Reform, transferred to the Exchequer, one month in arrears. At the 31 December 2021 the amount of contributions to be transferred to the Exchequer is €13,001.

Non-Single Scheme members

In respect of non-Single Scheme members, the Regulator proposed to the Department of Public Expenditure and Reform that the liability for retirement benefits paid under the non-Single Scheme should be assumed by the State in return for payment of employer and employee contributions based on a percentage of the salaries of the schemes' members. The proposal is based on the principle that the Office of the Regulator of the National Lottery is designated as an approved organisation for the purposes of Section 4 of the Superannuation and Pensions Act, 1963 (No. 24 of 1963), (i.e. the transfer network) and that the Office is not funded to assume the accumulated benefits of non-Single Scheme members, and is not in receipt of Exchequer funding. Discussions with the Department of Public Expenditure and Reform are continuing in regard to the aforementioned proposal.

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

10 | Pension Provision (Continued)

Pending a decision by the Department of Public Expenditure and Reform in regard to the proposed pension funding arrangements, the retirement benefit costs in the Statement of Income and Expenditure and Retained Revenue Reserves comprise the employer's pension contributions in the year. The employer's pension contributions are calculated as a percentage of relevant salaries, and amount to €85,927 for the year.

The pension liability for the non-Single Scheme members at 31 December 2021 is €3,200,000. The pension liability for these non-Single Scheme members is not reflected in these financial statements pending the decision of the Department of Public Expenditure and Reform.

Single Scheme members

With regard to Single Scheme members, the Office of the Regulator of the National Lottery was prescribed as a relevant authority for the purpose of the Single Scheme in 2019. Employee and employer contributions are transferred to the Department of Public Expenditure and Reform on a monthly basis in accordance with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

Actuarial Assumptions

The liability for non-Single Scheme members as disclosed above, and the liability for Single Scheme members as provided for in the financial statements, are based on an actuarial valuation carried out by a qualified actuary using the financial assumptions below for the purpose of FRS 102.

	Year ended 31 December 2021	Year ended 31 December 2020
Discount rate	1.30%	0.80%
Rate of increase in salaries	3.50%	3.00%
Rate of increase in pension	3.0%	2.5%
Inflation	2.0%	1.5%

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

10 | Pension Provision (Continued)

(a) Single scheme staff

Analysis of total retirement benefit costs charged to the Statement of Income and Expenditure and Retained Revenue Reserves in respect of the staff who are members of the Single Scheme.

Single Pension Scheme	2021 €	2020 €
Total Employer Contributions	52,111	49,752
Current Service Costs*	83,000	75,000
Interest Costs	4,000	5,000
Adjustments to Deferred Exchequer Pension Funding	(87,000)	(80,000)
Total charged to Statement of Income & Expenditure & Retained Revenue Reserves	52,111	49,752

* Employee contributions have been included in the calculation of the current service costs figure.

The Minister for Public Expenditure and Reform, based on actuarial considerations and pursuant to section 16(4) of the Public Service Pension (Single Scheme and Other Provisions) Act 2012 has decided that:

- ▶ an employer contribution is to be paid in respect of certain members of the Single Public Sector Pension scheme and
- ▶ the rate of that Employer contribution is equal to three times the employee contribution paid by the single scheme member.

Employer contributions must be paid by public service bodies who are funded “wholly or mainly from sources other than directly or indirectly out of the Central Fund”. As a self-financing public body, the sum of €52,111 represents the Office of the Regulator’s liability for employer contributions to the Single Public Service Pensions scheme. These amounts are paid over to the Department of Public Expenditure and Reform monthly in arrears.

Notes

(forming part of the financial statements)

for the year ended 31 December 2021

10 | Pension Provision (Continued)

(b) Movement in single scheme net retirement benefit obligations during the financial year

	2021	2020
	€	€
Net Pension Liability at 1 January	401,000	287,000
Current Service Costs	83,000	75,000
Employee Contributions	29,000	17,000
Interest Costs	4,000	5,000
Experience losses/(gains) on scheme liabilities	16,000	(37,000)
Changes in assumptions	(2,000)	54,000
Net Pension Liability at 31 December	<u>531,000</u>	<u>401,000</u>

(c) Single Scheme Deferred funding for retirement benefits

The Office of the Regulator of the National Lottery recognises these amounts as an asset corresponding to the unfunded deferred liability for retirement benefits on the basis of the set of assumptions described above and a number of past events. These events include the statutory basis for the establishment of the retirement benefit scheme, the prescribing of the Office of the Regulator of the National Lottery as a relevant authority for the purposes of the Single Scheme and the policy and practice currently in place in relation to funding public service pensions including contributions by employees and the annual estimates process.

(d) Single Scheme Defined benefit obligations

	2021	2020
	€	€
Defined benefit obligations	531,000	401,000

Notes

(forming part of the financial statements)
for the year ended 31 December 2021

11 | Accumulated Retained Earnings

	2021
	€
At beginning of year	2,843,394
Surplus for year	<u>220,782</u>
Retained earnings at the end of the year	<u><u>3,064,176</u></u>

12 | Capital Commitments

There were no commitments for capital expenditure at 31 December 2021.

13 | Approval of Financial Statements

The financial statements were approved by the Regulator of the National Lottery on 21 June 2022.

3

National Lottery Fund Report and Financial Statements

for the year ended 31 December 2021

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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

21 June 2022

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 2021 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 and updated three times a 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 in the Office of the Regulator of the National Lottery 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

Controls and COVID-19 Restrictions

As a result of the Government travel restrictions imposed to address Covid-19, from March 2020 it has been necessary to adapt the method of working of the Office of the Regulator of the National Lottery. This has resulted in a change from a wholly office based, paper records, system to an almost totally remote, soft-copy records system of working.

The Office of the Regulator of the National Lottery has addressed the control environment to ensure that it is appropriate for the adapted working arrangements. This is in addition to the regular ongoing monitoring and review of controls. The Regulator actively continues to monitor controls in the context of changes to work patterns resulting from the easing of Covid-19 restrictions, including the potential for the introduction of hybrid working arrangements, where appropriate.

This has been achieved by active management of the control environment including:

- ▶ Operational management – the Regulator in conjunction with the management team have actively considered and updated all material controls in a timely manner, as necessary;
- ▶ Operational issues – the Regulator has monitored controls to ensure that appropriate authorisations are in place, that appropriate reconciliations and verifications take place in a timely manner, and that appropriate segregations of duties are maintained;
- ▶ Finance Committee – the Finance Committee has monitored the operation of controls with specific reference to the new remote working arrangements;
- ▶ Risk Committee - the Risk Committee has specifically considered, and where necessary updated, the risk register to ensure it addresses risks associated with remote working arrangements;
- ▶ Internal Audit – Internal Audit has specifically assessed the effectiveness of the controls in the remote working environment;
- ▶ IT systems – the Regulator, in conjunction with outsourced IT specialists, has monitored the effectiveness of the controls, particularly with regard to access and security;
- ▶ Internal Communications – the Regulator, through regular scheduled remote meetings with all staff, has ensured an awareness of, and focus on, maintaining a strong control environment;
- ▶ Physical controls – the Regulator has introduced appropriate physical controls to ensure continuity in the delivery of the functions of the Office and in the provision of a safe working environment for all staff;
- ▶ Delivery of outputs – the Regulator has monitored the delivery of outputs across the Office to ensure that the functions of the Regulator are being achieved;
- ▶ Fraud – the Regulator has specifically considered the risk of fraud and has ensured that appropriate controls are in place to mitigate such risks; and
- ▶ Continued oversight – the Regulator continues to closely monitor potential changes to working arrangements and impacts any such changes might have on the required controls.

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 2021 and completed by 31 March 2022.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2021 that require disclosure in the financial statements.



Carol Boate

Regulator of the National Lottery
21 June 2022



Ard Reachtaire Cuntas agus Ciste **Comptroller and Auditor General**

Report for presentation to the Houses of the Oireachtas

National Lottery Fund

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 2021 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 2021, and
- the balance of the Fund at 31 December 2021.

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

23 June 2022

Appendix to the report

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 annual 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.

I 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

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 I identify 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.

National Lottery Fund

Account of Receipts and Payments

for the year ended 31 December 2021

	Note	2021		2020	
		€'000	€'000	€'000	€'000
Received from the operator	4		682,338		576,302
less:					
Paid to the operator in respect of:	5				
Prizes		286,724		238,602	
Operator's entitlement		<u>103,296</u>	<u>390,020</u>	<u>88,729</u>	<u>327,331</u>
			292,318		248,971
less:					
Paid to the Regulator in respect of Regulator Levy	9		<u>1,513</u>		<u>1,542</u>
			290,805		247,429
Investment Interest Received/(Paid)	6		<u>(204)</u>		<u>(233)</u>
			290,601		247,196
Transferred to the Central Fund	7		(289,709)		(254,223)
Historic expired prizes transferred to the Central Fund	8		<u>0</u>		<u>(16,092)</u>
Increase/(Decrease) in Investment transferred to/ (from) Reserve			<u>892</u>		<u>(23,119)</u>

Reserve Account

		2021	2020
		€'000	€'000
Balance on deposit at 1 January		20,703	43,822
Increase/ (Decrease) in Investment		<u>892</u>	<u>(23,119)</u>
Balance on deposit at 31 December	6	21,595	20,703
less:			
Liability for Regulator Levy	9	(83)	(79)
Liability to Prizes Fund Account	10	<u>(0)</u>	<u>(5,719)</u>
Balance available for distribution through the Central Fund	7	<u>21,512</u>	<u>14,905</u>

Notes 1 to 12 form part of these Accounts



Carol Boate
Regulator of the National Lottery
21 June 2022

National Lottery Fund

Notes to the Accounts

1 | The National Lottery

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

2 | The National Lottery Fund

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

The Fund receives proceeds of the National Lottery from the operator and pays amounts in respect of prizes, Regulator's annual levy and the operators' entitlements under the 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.

National Lottery Fund

Notes to the Accounts

4 | Amounts Received from the Operator

As required by the Act amounts received from the operator comprise ticket sales proceeds less retailers' remuneration and prizes paid by retailers. Amounts received from the operator were €682 million in 2021 (2020: €576 million).

Total sales, on an accruals basis for the year ended 31 December 2021, recognised in the financial statements of the operator, were €1,053.7 million (2020: €918.9 million).

In addition to the differing accounting treatments adopted in the Fund and the operator (i.e. cash receipts basis as compared to an accruals basis), the amounts received by the Fund are after deduction of retailers' commission and of prizes paid by retailers whereas Sales reported by the operator are before these deductions.

5 | Amounts Paid to the Operator

The amounts paid to the operator were €390 million in 2021 (2020: €327 million), being €287 million in respect of prizes payments (2020: €238 million) and €103 million in respect of operator's entitlement (2020: €89 million).

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 interest in respect of 2021 unpaid by the Fund at the year-end amounted to €54,772.

7 | Transfers to the Central Fund

Funds are allocated to Good Causes pursuant to Clause 6.6 of the licence and are 65% of Gross Gaming Revenue (GGR) calculated on an annual basis, in accordance with Schedule 2 to the licence. GGR is total net sales minus prizes, as defined in Clause 1.1.24 of the licence. Following provision for current liabilities of the Fund and any prospective or contingent liabilities, the Regulator arranges the transfer of funds allocated to Good Causes, 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.

National Lottery Fund

Notes to the Accounts

8 | Balance Retained in Respect of Historic Expired Prizes

On 17 April 2020 an amount of €16.092m was transferred from the National Lottery Fund to the Central Fund in respect of Historic Expired Unclaimed Prizes which arose under the previous licence operated by An Post National Lottery Company. This amount had previously remained reserved in the Fund pending determination by the Regulator, and agreement with PLI, the operator of the National Lottery, that this transfer could be made. This resulted in a reduction on this restriction of funds at 31 December 2020 to nil.

9 | Liability for Regulator Levy

In accordance with the National Lottery Act 2013, the Licence provides for the payment by the operator of an annual levy to the Regulator to meet expenses properly incurred by the Regulator. Such amounts are deducted from payments to the operator and are retained in the Fund for payment to the Regulator. The amount due to the Regulator at 31 December 2021 is €83,140.

10 | Liability to Prizes Fund Account

Payments from the Fund to the Prizes Fund Account in respect of prizes are made weekly, based on expected prizes won as notified by the operator. Following a detailed review, and with the agreement of the operator, the Regulator has determined that the liability of the Fund to the Prizes Fund Account is for actual prizes won. The Regulator and the operator agreed to amend the licence in May 2021 to address the methodology for settlement of the differential between actual and expected prizes on an annual basis as a balancing amount.

On 31 December 2021 the amount due from the Fund to the Prizes Fund Account is €NIL. On that date an amount of €6,205,817 was due to the Fund from the Prizes Fund Account (€9,547,410 less €3,341,593 due to the operator). The receipt, and subsequent payment, occurred on 31 March 2022 and 1 April 2022 respectively.

The liability of €5,719,364 included at 31 December 2020 is the accumulated balancing amount due by the Fund to the Prizes Fund Account from commencement of the licence to 31 December 2020, and this was paid on 22 June 2021.

National Lottery Fund

Notes to the Accounts

11 | Audit Fee

The audit fee is paid by the Office of the Regulator of the National Lottery. The audit fee for 2021 is €6,900.

12 | Approval of the National Lottery Fund Account

The National Lottery Fund Account in respect of the year ended 31 December 2021 was approved by the Regulator on 21 June 2022.

Notes

Notes



Rialálaí an Chranachuir Náisiúnta
Regulator of the National Lottery

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