

Presentation of the Regulator of the National Lottery to the Oireachtas Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach on 7 March 2017

Introduction

I wish to thank the Committee for inviting me to provide an overview of the operations of the National Lottery.

Structure

At the outset, and to put my presentation in context, I consider it useful to set out the respective roles of the Operator and the Regulator, which are set out in the National Lottery Act, 2013 (“the Act”) and the Licence to Operate the National Lottery (“the Licence”).

Under the Act, the Operator has “the sole purpose of operating the National Lottery in accordance with the terms and conditions of the licence”. The Operator must report to the Regulator on its activities and it must appear before this Committee when requested to do so. The Minister for Public Expenditure and Reform awarded a 20-year Licence to the Operator, Premier Lotteries Ireland (“PLI”), on 27 February 2014 and PLI began operating the National Lottery on 30 November 2014.

I was appointed as the first Regulator from 17 November 2014. Prior to that, the Minister acted as Regulator. Since establishment, we have put in place an expert team to regulate the market. Our team includes, regulatory, risk management, audit, accountancy, psychology and legal expertise. I am an actuary with almost than 25 years’ experience working in regulatory areas in the private and public sectors. I am joined today by the Deputy Regulator and Head of Audit and Finance, Mr Derek Donohoe who is a former partner in a leading Irish accountancy practice with significant experience of auditing, forensic accounting, corporate governance and compliance.

The functions of the Regulator under the Act are

- (1) to procure the holding of the National Lottery;
- (2) to monitor and enforce compliance by the Operator with the Act and the licence;
- (3) to exercise enforcement rights of any trade mark of the National Lottery;
- (4) to consider for approval certain matters relating to the National lottery, including schemes for National Lottery games; and
- (5) to manage and control the National Lottery Fund.

In carrying out these functions, the Regulator’s objectives are probity, player protection, sustainability and, subject to the foregoing, maximising returns for good causes.

Accordingly, the Regulator monitors and enforces compliance by the Operator with the Act and the Licence and considers (and approves or declines to approve) proposals relating to certain matters received from the Operator. Where an operational matter does not require approval and does not breach a term of the Act or the Licence, this is a matter for the Operator.

I hope the Committee will understand that, in my presentation, we may at times only be able to speak in general terms. This is because, like other Regulators, our role requires that we respect commercially sensitive and confidential information.

Oversight

In relation to compliance by the Operator with the requirements of the Act and the Licence, the Regulator continuously monitors the activities of the Operator. Such monitoring includes: -

1. Oversight of data and systems of the Operator, for example monitoring sales, cashflows etc. This includes oversight of the Independent Control System, which duplicates the activities of the Operator's business system and provides an important verification tool.
2. Review of the Operator's processes and controls. For example, we have conducted reviews of the Operator's processes for risk management, anti-fraud, prizes management and fitness and probity.
3. Reviews of specific matters, e.g. technology outages.
4. Receipt and review of regular reports from the Operator including management accounts, reports on IT performance and trading reports.
5. Reviews of arrangements for and output of internal and external audit.
6. Consideration of reports produced by audit firms and other experts
7. Ongoing review of on-line play including the controls set out in the Licence, such as registration, limits on online account balances, limits on spending and a requirement that payment of large prizes is contingent on proof of age and identity.

Our oversight also informs considerations when proposals are being assessed for approval.

In doing this work, we have overseen enhancements in a number of areas, including risk management, internal audit, governance of information and communication technology and controls for on-line play.

Proposals from the Operator

We consider requests for approval of certain matters, which under the Act and the Licence, require the approval of the Regulator. Such matters include Codes of Practice for Advertising and Promotion, Sales, Participant Relations and Employee Vetting as well as proposals relating to schemes for lottery games and third party providers.

In total, the Operator has submitted 69 requests for approval. These were considered in accordance with the Act and the Licence and on 60 occasions further information was sought by the Regulator and/or the Operator chose to submit amended requests for approval. Ultimately, 59 submissions received from the Operator have been approved.

Management and Control of the National Lottery Fund

A key function of the Regulator is to manage and control the National Lottery Fund and we review weekly detailed financial reports and receive and disburse funds as provided for in the Licence. Under the Licence the amount allocated to good causes is equal to 65% of the difference between total net sales and the amount in respect of prizes. In 2016, €218.9m was transferred for Good Causes, €7m of which related to sales in previous years (2015: €193.3m).

Other Operational Information

Reports from the Operator in respect of 2016 include the following in relation to the operation of the National Lottery.

Sales

In 2016, 1.4 million people played Lottery games on a regular basis, representing more than 40% of the adult population and almost 70% of the adult population played the game occasionally.

Ticket sales for 2016 amounted to €750 million (2015: €670 million). Sales for draw based games were €530 million, while scratchcard and on-line instant win games were €220 million. With respect to the sales channel, 95% of sales were retail, while 5% were on-line.

Retail Estate

The number of retail outlets has increased by approximately 1,500 to 5,200 since commencement of operations under the licence. Around half of the increase relates to the availability of lottery games being extended from approximately one third of post offices to all post offices, including all sub post offices.

It is noted that most of the increased retail estate provides a restricted service in terms of the range of games and the options available.

Of course, the same controls in respect of probity and player protection required by the Licence apply in respect of the new retailers

Systems Availability

In 2016, on average over the whole network, terminals were available to sell tickets 99.9% of the time. Availability of website services varied from 99.6% to 99.8% of the time.

Conclusion

I hope that the presentation has been helpful for the Committee in providing an overview of the operations of the National Lottery and of the role of the Regulator of the National Lottery. I look forward to answering your questions.

Liam Sloyan

Regulator of the National Lottery

Date: 7 March 2017