

Opening Statement to the Joint Oireachtas Committee on Finance, Public Expenditure and Reform and Taoiseach

Submitted: 14 December 2021

Meeting date: 15 December 2021

Introduction

I wish to thank the Committee for inviting me today to discuss issues relating to the National Lottery. I am joined today by the Deputy Regulator and Head of Audit and Finance, Mr Derek Donohoe.

The Office of the Regulator of the National Lottery was established in 2014 as an independent regulatory office under statute, by legislation passed by the Oireachtas, the National Lottery Act 2013.

The regulatory role includes:

- To procure the holding of the National Lottery;
- To monitor and enforce compliance by the Operator with the National Lottery Act 2013 and the 2014 Licence awarded to it;
- To manage and control the National Lottery Fund, to ensure that the amounts going to prizes, good causes and the operator are correctly accounted for;
- To consider for approval certain matters relating to the National Lottery, including schemes for National Lottery games as proposed by the National Lottery Operator; and
- To exercise the enforcement rights of any trademark of the National Lottery.

I took up the role of Regulator in October 2017, following a career in competition and consumer protection law and policy. I am trained in economics, law, and regulatory governance. My aim is to ensure a safe, sustainable, properly run National Lottery maximising funds for good causes.

I am assisted in this role by nine staff who are experienced in law, accounting, auditing, psychology, research, communications, and risk management.

National Lottery Games

As the Regulator of the National Lottery, I, and my staff, work to ensure that the National Lottery is run with all due propriety and that the interests of all those who participate in the National Lottery are protected. While those who purchase tickets for the National Lottery do so in the full knowledge that it is a game of chance, as are all lotteries, my office seeks to provide them with the confidence that the National Lottery is being run to the highest standards of probity and consumer protection and that their interests are safeguarded.

The Regulator's Office oversees the holding of National Lottery games in several ways.

Any new game, or any change to an existing game, must be submitted by the National Lottery Operator to the Regulator for approval prior to launching the game. The Regulator's Office then determines whether the scheme for the game is compliant with parameters set out in the 2013 Act and the 2014 Licence. Only certain game types are permitted, certain information must be made available to players, and the game must complete extensive testing requirements.

Every proposal from the Operator goes through a rigorous set of checks by the Regulator, the Head of Audit and Finance, our Legal and Compliance team, and the Head of Player Protection and Research.

Our objectives, given to us by the Oireachtas, are to ensure:

- a. that the game is run with all due propriety,
 - b. that the interests of players are protected,
 - c. that the long-term sustainability of the National Lottery is safeguarded,
- and, after that, we consider the returns to Good Causes generated.

Commercial considerations, such as the price of a ticket or the prizes to be won, are reserved to the Operator under the 2013 Act and the 2014 Licence. The financial model in the 2014 Licence incentivises the Operator to maximise returns for Good Causes in the design of its games. In each game, 65% of the proceeds (after prizes) go to Good Causes; and, after retailer commission and the regulatory levy, the remainder goes to the Operator.

When a game is approved, my office then continuously monitors the Operator to ensure that it is operating the game in compliance with terms of the approval, and the 2013 Act and the 2014 Licence.

My office performs numerous checks and reviews across a broad range of aspects of the game and areas of the Operator's business - from ticket sales, through draw operations, to

prize claims - using a risk-based approach. We vary our checks and interrogations across the entire operation, so that the Operator is focussed on being compliant in all matters.

Some examples of the checks and balances in place are:

- (a) There are strict tests and process protocols in place for how each and every draw is conducted.
- (b) An independent company performs statistical checks on ball sets. The appointment of this company is approved by my Office.
- (c) Each week we review sales figures for every National Lottery game and perform checks to ensure that the proceeds are correctly allocated to prizes, good causes, retailers, and the Operator.
- (d) We receive regular reports from the Operator on the speed of prize payments, on who has access to the secure areas, and on online play patterns.
- (e) My office has conducted proactive expert reviews of the quality and capacity of the operator's IT and communications systems, including their cyber security, to check that they are capable of operating the National Lottery games with all due propriety.
- (f) We monitor the advertising and PR of the Operator to check that the content and location meet the relevant standards and take enforcement action where required.

Recent Rollover

With regard to the current unprecedented rollover of the Lotto jackpot, I can assure the Committee that the Lotto game is operating in line with the game rules and there are no regulatory issues.

Independent observers from KPMG attend every Lotto draw (though nowadays they are not seen on camera during the live TV broadcast) to ensure that the strict protocols in place are followed to the letter.

The €19m cap on the Lotto jackpot is part of the game rules introduced in 2015.

The cap allows prize monies that ordinarily go to growing the jackpot to go instead to growing the value of the next highest prize won and this flowdown of prize money has been operating correctly.

Since the Lotto jackpot reached its cap on 29th September, 215 players have won much larger amounts than would ordinarily be available for matching 5 numbers or 5 numbers plus the bonus ball. 27 of these players won (Match 5 + Bonus Ball) prizes ranging from €237,394 up to €1,262,603. The remaining 188 won Match 5 prizes ranging from €22,872 to €35,234.

Importantly, the split of the proceeds from Lotto sales are, and have been, the same in every draw - regardless of the jackpot level. 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
- and the remaining 10.8c goes to the Operator from which they pay the costs of operating the game.

The current extended period without a jackpot win is unusual in the history of the game, but it is not unusual in the history of lotteries.

Statistically unlikely events are part of the nature of games of chance and lotteries. It was also statistically unlikely that the Lotto jackpot would be won three Saturdays in a row and yet this happened at the end of May and over the June bank holiday weekend earlier this year, when players won jackpots totalling €11,434,339 in three consecutive Saturday draws.

Lotto sales have attained sustained high levels since the record-breaking jackpot was reached and good causes have benefitted significantly from this. Approximately €46m has been earned for good causes since the jackpot was last won.

Conclusion

I have provided further details to accompany my statement that I hope is helpful to the Committee in providing an overview of the role of the Regulator. I look forward to answering any questions you may have.

Oversight of the Operator

In order to monitor and enforce compliance by the Operator, my Office has a range of information gathering mechanisms in place. These include:

1. 31 different regular reports from the Operator;
2. Real time access to data from the Operator's business systems;
3. Regular meetings with the Operator;
4. Oversight of the processes and controls applied by the Operator;
5. Monitoring the marketing and PR activities of the Operator;
6. Other proactive reviews, investigations, and requests for reports or information on specific matters.

The information we glean from these monitoring activities is combined with my powers under the 2013 Act and a risk-based approach to ensuring compliance.

Proposals from the Operator

A range of the Operator's activities require the written approval or consent of the Regulator. These include: new lottery games, new service providers, and changes to Codes of Practice for Sales, Advertising and Promotion, Participant Relations and Employee Vetting.

Every request for approval or consent is scrutinised to assess whether it complies with the 2013 Act and the 2014 Licence. Each assessment will involve a wide range of aspects of the request and of the Licence.

Where the Regulator is not satisfied that a request is compliant, the Operator may be asked for further information or explanation. Often the Operator submits an amended proposal or an explanation that removes any concern but if the Operator is unable to address the concerns, within the required time limit, the request is rejected or withdrawn.

The National Lottery Fund

A key function of the Regulator is to manage and control the National Lottery Fund.

Every week we review detailed financial reports from the Operator and receive and disburse funds appropriately. We can cross reference these weekly reports with both the real time access we have to the Operator's systems and other reports we receive. The Fund is audited annually by the Comptroller and Auditor General.

Under the Licence, prizes must, on average across the portfolio of National Lottery games, be at least 50% of sales. The amount allocated to Good Causes is 65% of the difference between sales (net of the retailer's commission and any free ticket prizes) and prizes.

Returns to good causes have increased each year since the start of the Licence.

The Regulator of the National Lottery has no role in the disbursement of funds to good causes.

The Role and Responsibilities of the Operator

The Operator of the National Lottery (Premier Lotteries Ireland) is responsible for designing, operating, and promoting National Lottery games and complying with the Act and the Licence.

Carol Boate

Regulator of the National Lottery