

Omitted Scratch Card Prizes

Report of the Regulator

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Rialálaí an Chrannchuir Náisiúnta
Regulator of the National Lottery

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Executive Summary

On 4 November 2019, the Regulator was made aware by the Operator of anomalies in 3 scratch card games with incorrect numbers of top prizes. The Regulator's immediate priorities were the interests of players and the propriety of National Lottery games. The Regulator's longer-term concern was the impact this issue might have on the reputation of the National Lottery and its long-term sustainability and what measures should be taken accordingly. Consequently, the focus of the Regulator's activities was as follows:

1. Addressing the affected game that was still on sale.
2. The return of the value of the omitted prizes to players without delay.
3. A full examination of what led to the anomalies and what breaches of the National Lottery Act 2013 or Licence may have occurred.
4. Effective measures to prevent the recurrence of such omissions.
5. Effective measures to detect any recurrence earlier in the lifecycle of a game.

On 11 December 2019, the Operator published details of the issue and announced a *New Year's Special Draw* which would return the value of the omitted prizes to players at no additional cost to players. The prize money for the Special Draw was entirely funded by the Operator and guaranteed to be won. The Regulator required the Operator to withdraw the affected scratch card game that was still on sale and commenced an inquiry to establish what had occurred. This inquiry has now concluded.

The Regulator's findings are that the prizes in the games were incorrect due to human error on the part of the Operator when ordering the games from the scratch card supplier and a failure by the Operator to have adequate controls in place to identify and correct such errors. In addition, erroneous statements about the available number of top prizes in these games were made on the National Lottery website due to a failure to have adequate controls.

Following the extensive inquiry, the Regulator is satisfied that the Operator acted transparently and in good faith, that information was not withheld from the Regulator, and that the Operator's staff had (mistakenly) believed that the games were correctly run. One game remained on sale beyond the time when errors were discovered as it was originally thought that the omitted prizes could be returned to players through that game. The mechanism was ultimately found to be problematic and the value of the omitted prizes was instead made available *via* the *New Year's Special Draw*.

Several new controls are in place to prevent a recurrence of such errors by the Operator and to allow for earlier detection of any similar issue by the Regulator. All scratch cards put on sale have been reviewed and no further games were found to have had prizes omitted.

The Regulator has determined that the Operator breached 3 provisions of the Act and the Licence as a result of these errors. These are the first ever breaches of this kind and comprise the following:

- failures to hold 3 lottery games in accordance with the rules in force;
- failures to ensure that statements regarding games were true; and
- failures to have an adequate system of internal control to provide assurance of compliance with the relevant provisions of the Act and the Licence (in regard to successor games).

Revenues generated for Good Causes were not harmed by the errors. Overall, the Operator incurred financial cost due to the rectification measures taken to address the errors, including the €180,000 it provided for the *New Year's Special Draw*. It was not possible to identify the individual purchasers of the affected scratch cards and enter them into a draw for equivalent prizes, but the €180,000 equivalent prize value was returned to National Lottery scratch card players more generally following the *New Year's Special Draw*. To ensure that the Operator did not benefit financially from the Special Draw, a €50,000 donation was made to a mental health charity. The Operator made a public apology to all National Lottery players.

Sales of National Lottery tickets have not diminished following the issue; sales of scratch cards in 2020 are marginally ahead of the comparable period in 2019. There is no indication of a significant loss of trust by players in the propriety of the National Lottery, or of any subsequent fall in returns to Good Causes, and its integrity and image has not been materially compromised.

1. Introduction

The independent Office of Regulator of the National Lottery was established under the National Lottery Act 2013 (the “Act”).

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

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

The Act gives clear statutory objectives to the Regulator in the performance of her functions. The Regulator must carry out these functions in an independent manner most likely to ensure –

- a) that the National Lottery is run with all due propriety,
- b) that the interests of participants in the National Lottery are protected,
- c) that the long-term sustainability of the National Lottery is safeguarded, and

subject to a) to c), to ensure revenues allocated to the Central Fund for disbursement for the purposes permitted by the Act (“Good Causes”) are as great as possible, subject to the terms of the licence.

I have prepared this report to provide the details and conclusions of the independent inquiry carried out by my Office into the incorrect scratch card prizes in three scratch card games and of the actions taken to address the issue. I consider it preferable to report on this matter now as a standalone matter warranting its own separate report due to the public interest in the issue.

The report sets out the events that led to the issue, the impact of the issue, the outcome of the inquiry conducted by my Office, the actions taken to rectify the issue, and the measures in place to prevent a recurrence.



Carol Boate
Regulator of the National Lottery

2. The Issue

The National Lottery is operated by Premier Lotteries Ireland DAC (“PLI”). Prior to the launch of any National Lottery game, PLI must obtain the approval of the Regulator that the scheme of the game (which includes game rules) complies with the legislation and the Licence. PLI must then run each lottery game in line with the scheme approved.

For scratch card games, successive batches of approved scratch card games are printed and put on sale. PLI may vary the total number of tickets in such “successor” games, without requesting approval, but only if the number of prizes at each prize tier are in direct proportion to the original approved scheme. Immaterial differences such as a change in colour scheme and a new game number are permitted in successor games.

However, crucially, the prize structure must be consistent with the originally approved prize structure. Due to human error, PLI failed to ensure that the prize structure of 2 Congratulations successor games and 1 Diamond Bingo Doubler successor game were consistent with their approved prize structures when placing the order for the successor games with the scratch card supplier. This resulted in an incorrect (lower) number of top prize-winning tickets being printed for those successor games.

The rules of the games published on the National Lottery website for the Diamond Bingo Doubler successor game and 1 of the Congratulations successor games stated that the number of top prizes was the same as the original approved schemes, which was not in fact the case. The rules for the Congratulations successor game on sale at the time the errors were discovered correctly stated that the number of top prizes in the successor game was 1 (though there should have been 2 top prizes as per the approved scheme).

PLI’s controls failed to identify and correct the errors before the successor games were printed or sent out to retailers. The prize structures for the successor games were not checked against the originally approved prize structures to ensure consistency. The control for comparing scratch card print orders against the approved scheme was only being applied to the first print run of the game after approval and not to successor games.

2.1 Diamond Bingo Doubler

The error in the Diamond Bingo Doubler game arose from a failure to check that the prize structure of a successor game was consistent with the original regulatory approval.

Diamond Bingo Doubler (game number 110) was approved on 30 July 2014 with 2 million tickets and 2 top prizes of €30,000 and therefore odds of winning the top prize of 1 in 1 million. In 2015, PLI ordered a successor game with 3.5 million tickets from its scratch card supplier (game number 125). However, a game size of 3.5 million tickets was not appropriate for the Diamond Bingo Doubler game as it equated to 3½ top prizes (of €30,000). When this was pointed out by the supplier, PLI did not adjust the order to 3 million tickets or 4 million tickets (with 3 or 4 whole top prizes, respectively); instead, PLI proceeded to order 3.5 million tickets with 3 top prizes and asked the supplier to put €15,000, equating to half a top prize, into enlarging the €100 prize tier (by 150 additional prizes). The consequence of PLI’s instructions was that the prize pay-out percentage in the successor game was consistent with the approved prize pay-out percentage, however, the odds of winning a top prize of €30,000, and of winning a prize of €100, were different to the approved prize structure.

The error was not picked up by PLI's controls and the successor game (game number 125) was placed on sale with an incorrect prize structure, which had a lower chance of winning the top prize of €30,000 and a higher chance of winning a €100 prize.

The game rules for this Diamond Bingo Doubler game (game number 125), made available on lottery.ie, misstated the odds of winning the €30,000 and €100 prizes in the game by giving the regulatory approved odds and not the true odds resulting from the adjustment of the €30,000 and €100 prize tiers.

The Regulator has verified that subsequent Diamond Bingo Doubler successor games contained the correct ratio of top prizes to the number of tickets in the game.

2.2 Congratulations

The error in the Congratulations games arose from a manual edit to the spreadsheet used to order successor games. The edit inadvertently prevented the formula for ensuring that successor game prize structures are consistent with the approved prize structure from operating correctly for subsequent successor games. This led to errors in the subsequent 2 successor games which were not detected; PLI's controls did not require successor games to be checked against the regulatory approval.

Congratulations (game number 106) was approved on 30 July 2014 with 600,000 tickets and 2 top prizes of €50,000 and, therefore, odds of winning the top prize of 1 in 300,000. In 2015, PLI ordered a new successor game with 600,000 Congratulations tickets. The order was placed correctly, however, the spreadsheet used to calculate the number of prizes per prize tier was manually adjusted to set the number of top prizes as 2. The number of top prizes in the successor game (2) was correct and consistent with the approved prize structure. However, the manual adjustment of the spreadsheet created errors when future successor games used this spreadsheet.

When a further successor game of Congratulations (game number 186) was ordered, PLI ordered 1.2 million tickets (2 x 600,000) but the number of top prizes ordered did not automatically double to 4 accordingly, as the spreadsheet's formula had been overwritten - preventing the automatic increase in proportion to the number of tickets ordered. Instead, the number of top prizes ordered remained at 2, as was now hardcoded in the spreadsheet.

The error was not picked up by PLI's controls and the successor game was placed on sale in 2018 with half the number of required top prizes in it (2 instead of 4) relative to the regulatory approval.

The game rules for this successor game (game number 186) made available on the National Lottery website misstated the number of top prizes available in the game as 4 rather than 2. That is, the published game rules reflected the approved prize structure that ought to be in game number 186 but this was not the prize structure of the game on sale.

The next time PLI ordered a successor game of Congratulations (game number 223), it ordered 600,000 tickets. At this point, PLI identified that the number of top prizes shown in the spreadsheet remained at 2 and did not halve in line with the number of tickets ordered relative to the previous game (game number 186). The number of top prizes was then manually adjusted to 1 top prize, in proportion to the previous game but not in line with the original game in receipt of regulatory approval.

This further error was not picked up by PLI's controls and game number 223 was placed on sale in 2019 with half the number of top prizes in it (1 instead of 2) relative to the regulatory approval.

The game rules for this successor game (game number 223) made available on the National Lottery website correctly stated the number of top prizes available in the game as 1. That is, the published game rules reflected the prize structure of the game on sale (but the rules were not consistent with the game rules in receipt of regulatory approval).

3. Action Taken

The issue came to light when PLI noticed a discrepancy in a scratch card successor game that was about to launch in late October 2019 and initiated an internal review of all scratch card game prize structures. PLI became aware in November 2019 that Congratulations game number 223 was on sale with half the number of top prizes than should have been the case as per the regulatory approval (i.e. 1 top prize of €50,000 rather than 2) and that Congratulations game number 186 had also previously been on sale with half the appropriate number of top prizes. PLI brought this to the attention of the Regulator on 4 November 2019.

The Regulator's immediate priorities were the interests of players and the propriety of National Lottery games. The Regulator's longer-term concern was the impact this issue might have on the reputation of the National Lottery and its long-term sustainability and what measures should be taken accordingly.

The Regulator took action to address:

1. The affected game that was still on sale.
2. The return of the value of the omitted prizes to players without delay.
3. A full examination of what led to the anomalies and what breaches of the National Lottery Act 2013 or Licence may have occurred.
4. Effective measures to prevent the recurrence of such omissions.
5. Effective measures to detect any recurrence earlier in the lifecycle of a game.

3.1 Players' Interests

The Regulator wrote to PLI seeking an urgent explanation as to why Congratulations game number 223 continued to be on sale. She required the Chief Executive Officer to attend at her office the following day to provide PLI's proposals for rectifying the situation with respect to players and the propriety of the National Lottery, as a matter of utmost priority.

PLI responded immediately with the explanation that it had, with a view to returning value to players, identified a way to put the value for the total three top prizes missing from games 223 and 186 back into game number 223 and this necessitated the continued sale of the game. The Regulator agreed that, in these circumstances, game number 223 could remain on sale but stressed the urgency of the matter. She instructed PLI to revert with full details of its plan within a week.

While PLI did revert promptly with details of a mechanism to reinstate the omitted top prizes from the 2 flawed Congratulations games into the game still on sale, final checks determined that the mechanism failed to meet certain security and other criteria. In the meantime, PLI's review had uncovered the historic error in the Diamond Bingo Doubler successor game (125). The Regulator met with the board of PLI the next day and noted that it was both vital and within PLI's control to find another way to rectify the issue for players, as swiftly as possible. PLI reverted later the same day with a proposed *New Year's Special Draw* whereby the follow-on game for the three Christmas scratch card games on sale would be supplemented with an additional draw on 6 January 2020 with the total €180,000 value of the scratch card prizes omitted from Congratulations plus a Diamond Bingo Doubler top prize.

The 2019 Christmas scratch card games came with a code to enter online to win a €1,000 prize following a draw held each week from 11 October to 20 December 2019 (with a final draw in August 2020). PLI proposed to add 180 further €1,000 prizes that would be won by having a special draw for all entries to the Christmas follow on game, on 6 January 2020. As 249,895 tickets had already been entered at the time the Special Draw was proposed, the €180,000 was guaranteed to be won and at no additional cost to the players. The €180,000 was to be funded from PLI's own income and represented the three €50,000 prizes omitted from Congratulations and a €30,000 top prize in Diamond Bingo Doubler.

The Regulator's Office fast-tracked the assessment of the Special Draw to ensure its compliance with the Act and the Licence. The proposal was approved by the Regulator on 10 December 2019 and considered the best available option for return of the value of the omitted prize money to National Lottery players at the earliest opportunity. It was not possible to identify the individual purchasers of the affected scratch cards and enter them into a draw for equivalent prizes. On the same day, the Regulator required Congratulations game number 223 to be removed from sale: it was no longer needed to return the omitted prize money to players.

The following morning, PLI publicly announced the *New Year's Special Draw* and directed its retail agents to remove Congratulations game number 223 from scratch card dispensers and blocked all future sales of the game. The announcement included details of the errors in the Congratulations and Diamond Bingo Doubler scratch card games and PLI made a public apology to National Lottery players for these errors.

On 6 January 2020, the *New Year's Special Draw* was held. PLI has confirmed that all 180 winners were identified and received their prize of €1,000.

3.2 Compliance

While PLI was working on mechanisms to return the value of the omitted prizes to players, the Regulator's Legal and Compliance officials commenced an inquiry into what breaches of the Act or the Licence may have occurred.

All potentially relevant parts of the Act and the Licence were reviewed and PLI was asked to provide information, documentation, and legal submissions to the Regulator between December 2019 and June 2020. The Board of PLI engaged professional advisers to examine and report on the issue and that report was also provided to the Regulator during the inquiry. The information and evidence collected and reviewed by the Legal and Compliance team ran to thousands of pages.

The inquiry included an examination of what PLI knew and when, and whether there was any evidence that information was ever withheld from the Regulator on this issue at any time. This was not found to be the case. Following an extensive inquiry, the Regulator is satisfied that the Operator acted transparently, and in good faith, and that PLI staff had (mistakenly) believed the successor games were correctly run.

The Regulator also sought to verify PLI's statement at the time that the omission of prizes was limited to 3 out of the 173 scratch card games launched since the commencement of the Licence (on 27 February 2014). Following checks by the Regulator's officials (and PLI's expert advisers) no further games were found to have prizes omitted. The game rules and prize structures of scratch card games launched subsequently (in 2020) have also been checked and found to be in order.

3.3 New Measures in Place

In addition to the return of the value of the omitted prizes to players at the earliest opportunity, the Regulator was immediately concerned that the Operator would introduce effective measures to ensure such omissions, and any other deviations from approved prize structures, would not happen again.

PLI put in place a new control to ensure that all scratch card games are checked against the regulatory approval received at the time of ordering, printing, delivery, and launch to market. PLI engaged professional advisers, at its own expense, to examine its controls in this area of operations generally and to make recommendations for improvements. A copy of this report was submitted to the Regulator and PLI has made further amendments to its processes and controls designed to prevent a recurrence of this issue. For example, a new spreadsheet is in place for ordering scratch cards: one which does not permit editing of formulae.

At the same time, the Regulator examined how and whether her Office could have detected the breach. The examination reviewed the key areas of oversight in place. The Regulator identified a key regular check in place, which occurs when a game is finished, would have detected the breach. This check is a review of the actual performance of the game after all prize claims by players and unsold ticket returns by retailers. This check was established after the Diamond Bingo Doubler game number 125 was put on sale and had yet to be performed in respect of Congratulations game number 186. As sales of Congratulations game number 186 had ended on 12 July 2019, the last date for prizes to be claimed and unsold tickets to be returned by retailers to PLI was 12 October 2019 and so it was just about to undergo a game performance check at the time the anomalies were uncovered. If PLI had not already alerted the Regulator to its discovery, the Regulator's own game performance check would have uncovered the anomaly, which would have led to a full review of all scratch card games.

The Regulator's Office has put in place new checks to detect any similar breach by PLI earlier in the lifecycle of a game and continues to actively assess its procedures for monitoring of PLI's operations.

4. Breaches of the Act and Licence

Having carefully considered all the evidence collated and assessed, the Regulator has determined that PLI failed to comply with 3 provisions of the Act and the Licence as set out below. This is the first time the Operator has been found to have breached these provisions and the first time it has been found to be in breach of the Act.

4.1 Diamond Bingo Doubler

- **Section 45(1)(d) of the National Lottery Act 2013:** PLI did not hold the National Lottery game Diamond Bingo Doubler 125 in accordance with the rules contained in the scheme approved by the Regulator in force in relation to that game.
- **Clause 9.8 of the Licence:** 2 statements made by PLI in the published game rules for the National Lottery game Diamond Bingo Doubler 125 were not true and capable of independent verification:
 - the stated odds of winning €30,000; and
 - the stated odds of winning €100 prizes.
- **Clause 16.7.3 of the Licence:** PLI did not have an adequate system of internal control to provide assurance of compliance with section 45(1)(d) of the Act and Clause 9.8 of the Licence.

4.2 Congratulations

- **Section 45(1)(d) of the National Lottery Act 2013:** PLI did not hold 2 National Lottery games in accordance with the rules contained in the scheme approved by the Regulator in force in relation to that game;
 - Congratulations 186; and
 - Congratulations 223.
- **Clause 9.8 of the Licence:** a statement made by PLI in the published game rules for the National Lottery game Congratulations 186 regarding the number of top prizes in the game was not true and capable of independent verification.
- **Clause 16.7.3 of the Licence:** PLI did not have an adequate system of internal control to provide assurance of compliance with section 45(1)(d) of the Act and Clause 9.8 of the Licence.

5. Impact of the Breaches

Revenues generated for Good Causes were not harmed by the errors. Overall, PLI incurred financial cost due to the rectification measures taken to address the errors, including the €180,000 it provided for the *New Year's Special Draw*.

It was not possible to identify the individual purchasers of the affected scratch cards and enter them into a draw for equivalent prizes but the €180,000 prize value was returned to National Lottery scratch card players more generally following the *New Year's Special Draw*.

Sales of National Lottery tickets have not diminished following the issue; sales of scratch cards in 2020 are marginally ahead of the comparable period in 2019. There is no indication of a significant loss of trust by players in the propriety of the National Lottery, or of any subsequent fall in returns to Good Causes, and its integrity and image has not been materially compromised.

5.1 Funds for Good Causes

There is no indication that revenues generated for distribution to Good Causes were negatively impacted by the breaches. PLI's prize bank account was not funded for the omitted prizes, nor the prizes for the *New Year's Special Draw*, and thus returns to Good Causes were not harmed by the omissions. Revenues generated for Good Causes *increased* as a direct result of the omission of top prizes in the Congratulations game numbers 186 and 223. The financial return to Good Causes on scratch card sales is 65% of sales revenue less prize pay-out costs. The omission of the top prizes meant that games Congratulations 186 and 223 had a lower prize percentage pay-out (66.34%) than the approved game (68%), a difference of 1.66% of sales revenue. Good Causes' share of the additional 1.66% of actual sales revenue for these games has been calculated by the Regulator's Audit and Finance department to be €83,941. The prize pay-out percentage of the Diamond Bingo Doubler game number 125 was identical to the approved scheme and, therefore, there was no additional return to Good Causes compared to the approved game.

Sales of National Lottery tickets, and scratch card tickets specifically, have not fallen since details of the matter were announced in 2019. Sales of scratch cards for the year to date in 2020 are greater than the comparable period in 2019.

The Regulator is therefore satisfied that the National Lottery Fund did not suffer any loss due to the breaches.

5.2 Players

It was not possible to identify the specific individual players who had played the affected games. Scratch cards are purchased anonymously in over 5,000 retail outlets across the country and often given as gifts (especially the Congratulations scratch card). It was therefore impossible to give specific individual players another chance to win.

The most effective and practical option was to make an equivalent amount of prize money available to be won by National Lottery scratch card players more generally. As detailed above, this was done by way of a *New Year's Special Draw* for all players of the follow-on draws for the three Christmas scratch card games. The prize money was guaranteed to be won and all €180,000 was distributed to the 180 winners.

5.3 Operator

Overall, PLI incurred financial cost due to the errors.

PLI profited from the reduction in the number of top prizes in the Congratulations game numbers 186 and 223 (estimated no greater than €45,500) but not from the error in the Diamond Bingo Doubler game number 125. The financial return to PLI on scratch card sales is what remains after prize pay-out costs, amounts for Good Causes, retailers' commissions, and production, delivery and overhead costs have been met. The omission of the top prizes meant that games Congratulations 186 and 223 had a lower prize percentage pay-out (66.34%) than the approved game (68%), a difference of 1.66% of sales revenue. PLI's share of the additional 1.66% of actual sales revenue for these games (after Good Causes, retailer commission, and operating costs) has been estimated by PLI to be no more than €45,500. Based on an analysis by the Regulator's Audit and Finance Department, the Regulator is satisfied that PLI's estimate is reasonable. Therefore, to this extent, PLI profited from its failure to comply with the Licence. The prize pay-out percentage of the Diamond Bingo Doubler game number 125 was identical to the approved scheme and, therefore, there was no additional return to PLI compared to the approved game.

PLI funded rectification measures taken to address the errors from its own funds. It provided €180,000 in order to fund 180 prizes of €1,000 each in a special draw for the specific purpose of returning value to players and it ensured that the entire €180,000 would be won. PLI also engaged 2 sets of professional advisers, at its own expense, to conduct comprehensive reviews of its game-approval processes. Both reports contained recommendations to improve PLI's controls in this area which PLI has implemented or is implementing.

It was expected that the Special Draw would drive increased sales of Christmas scratch cards and, indirectly, an increased return for PLI. To avoid this, PLI calculated how many additional Christmas scratch cards it sold in 2019 compared to 2018 and estimated the return to it associated with these increased sales. It then rounded up the total to €50,000 and donated this amount to Jigsaw, a mental health charity. (The Act and the Licence did not provide any mechanism whereby these amounts could be transferred to the Central Fund for disbursement to Good Causes). Based on an analysis by the Regulator's Audit and Finance Department, the Regulator is satisfied that PLI's estimate was reasonable.

Therefore, PLI suffered financial cost overall due to the rectification measures taken to address its failures.

5.4 National Lottery

There was widespread negative media coverage of the matter at the time PLI apologised to all National Lottery players and announced the special draw.

National Lottery ticket sales for 2020 to date are higher than those for the corresponding period in 2019, including sales of scratch cards specifically, notwithstanding the Covid-19 pandemic. Based on market indicators, there is no indication of a significant loss of trust by players in the propriety of National Lottery games and the National Lottery's integrity and image has not been materially compromised.

6. Conclusion

The Regulator has determined that breaches of 3 provisions of the Act and Licence occurred in relation to this issue.

In considering whether to withhold payment to the Operator, to rectify non-compliance, the Regulator must consider all relevant factors as required by the Licence. These requirements and the Regulator's considerations are set out below. The Regulator determined that it was not necessary to withhold payment in this instance.

Relevant Factor	Regulator's View
A. The ability of the Licensee to have foreseen or avoided the failure to comply.	The failures could have been avoided if PLI had an appropriate control in place at the relevant time to check prize structures for successor games against the prize structure for approved games.
B. Whether the failure to comply was as a result of the Licensee's commission or omission.	The Regulator is satisfied that the breaches arose due to human error and inadequate controls and not due any deliberate action by PLI. PLI had controls in place relating to the launch of new games, which is the primary means for launching games to market, but it had not, by virtue of an oversight on its part rather than by considered action, fully extended these controls to successor games.
C. The extent to which the Licensee derived financial benefit from the failure to comply with this Licence.	PLI profited from the reduction in the number of top prizes in the Congratulations game numbers 186 and 223 (estimated to be €45,500) but not from the error in the Diamond Bingo Doubler game.
D. The extent to which the Licensee has in the past failed to comply with this Licence.	This is the first time PLI has been found to have failed to comply with these provisions in regard to the launch and sale of National Lottery games
E. Any financial loss suffered by the National Lottery Fund.	The Fund did not suffer any loss due to the failures.
F. The extent to which the Licensee suffered financial loss as a result of the Licensee's failure to comply with this Licence.	PLI suffered financial loss overall from its failures. PLI funded rectification measures from its own funds. It provided €180,000 in order to fund a special draw of must-be-won prizes for players. As, it was expected that the special draw would drive increased sales and, indirectly, an increased return for PLI, PLI estimated the increased return and donated a higher amount (€50,000) to charity. PLI also engaged expert advisers to conduct comprehensive reviews of its game-approval processes and make recommendations and paid these professional fees from its own funds.

<p>G. The extent to which the integrity and image of the National Lottery, the Regulator, or the Minister has been compromised as a result of the Licensee’s failure to comply with the Licence.</p>	<p>The Regulator does not consider that the integrity and image of the National Lottery has been materially compromised by the failures. PLI identified the errors itself, acted quickly at all times, engaged transparently with the Regulator’s Office, sought and obtained independent reviews of its processes, returned value to players without making any profit from the errors, and apologised to all National Lottery players. Though there was widespread negative media coverage at the time, trust in the National Lottery and sales of tickets do not appear to have suffered consequently.</p>
<p>H. The impact and effect of the withholding of payment on the Licensee’s ability to fulfil its obligations and duties or meet its liabilities in terms of or under the Act or this Licence.</p>	<p>Not applicable.</p>
<p>I. The fact that the Licensee has remedied the breach.</p>	<p>The Regulator is satisfied that PLI has remedied the breaches in so far as is possible and taken reasonable steps to ensure they are not repeated.</p>

The Regulator’s Office has put in place new checks to detect any similar breach by the Operator earlier in the lifecycle of the game and continues to actively assess its procedures for monitoring of the Operator’s operations.

The Regulator’s inquiry is now complete. The Regulator is satisfied that all tools necessary to address the issue have been employed fully by her Office and that no further action is required in regard to this issue.

Appendix: Relevant Extracts from the Act and the Licence

National Lottery Act 2013

Schemes for lottery games in National Lottery

45. (1) (a) The operator shall prior to its launch, in relation to each lottery game or category of game comprised in the National Lottery, prepare and submit to the Regulator a scheme setting out the rules of the game or category of game.
- (b) The operator may at any time prepare and submit to the Regulator a scheme amending a scheme under this subsection, including a scheme under this paragraph.
- (c) The Regulator may approve of a scheme submitted to him or her under this section.
- (d) A lottery game comprised in the National Lottery shall be held by the operator in accordance with the rules contained in a scheme under this subsection approved of by the Regulator, in force in relation to that game or category of game.
- (e) The Regulator shall determine what constitutes a game category for the purpose of this section.
- (2) Rules of a lottery game may, without prejudice to the generality of subsection (1), make provision with respect to the following matters:
- (a) the giving of prizes in the National Lottery in cases in which the holders of the winning tickets are persons under the age of 18 years;
- (b) the giving of prizes in the National Lottery in cases in which the holders of the winning tickets are persons under any legal disability or of mental incapacity;
- (c) the receipts which are to be a good discharge for prizes given to persons in the National Lottery;
- (d) the settlement of disputes.
- (3) The Regulator may direct the operator to maintain a register on the operator's website for public viewing of all lottery games currently on offer and the operator shall forthwith comply with such a direction.
- (4) In considering schemes for lottery games, the Regulator shall have regard to the protection of players, the reputation of the National Lottery and compliance with accepted standards governing advertising within the State.

Licence to Operate the National Lottery

Clause 9.8

“The Licensee shall ensure that all factual statements for the National Lottery or National Lottery Games or in any material designed to encourage the purchase of Tickets in a National Lottery Game are true and capable of independent verification. Where a factual statement is not capable of independent verification the Licensee shall ensure that it is not included in any advertisement. The Licensee shall also ensure that no advertisement of the National Lottery or any National Lottery Game includes the name of, or any images which are identifiable with, any individual or organisation to whom money has been distributed under the provisions of the Act without the consent of that individual or that organisation, and the Regulator.”

Clause 16.7.3

- 16.7 “The Licensee shall establish an adequate system of internal control over financial and other areas to provide assurance:
- 16.7.1 of effective and efficient operation;
 - 16.7.2 of reliable financial information and reporting; and
 - 16.7.3 of compliance with the provisions of this Licence and any other provisions imposed by or under the Act or any other legislative measure which relate to the operating of the National Lottery or the promotion of any National Lottery Game. It is expected that such a system will incorporate:
 - 16.7.3.1 a demonstrated commitment to competence and integrity;
 - 16.7.3.2 an appropriate organisational structure within which operations can be planned, executed, controlled and monitored to achieve the Licensee's objectives;
 - 16.7.3.3 appropriate levels of authority with accountability which has regard to levels of risk;
 - 16.7.3.4 awareness of the key risks relating to its operations, including fraud, and controls in place to mitigate these risks;
 - 16.7.3.5 an internal audit function with appropriate independence operating to established professional standards;
 - 16.7.3.6 satisfactory segregation of duties for all lottery processes and procedures;
 - 16.7.3.7 reliable audit trails for all processes and procedures;
 - 16.7.3.8 adequate support for statements by the Licensee on any lottery operations;
 - 16.7.3.9 clear control objectives for all managers;
 - 16.7.3.10 performance indicators which allow the Licensee to monitor the key operations and to identify developments which require corrective action;

- 16.7.3.11 information systems which provide on-going identification and capture of relevant, reliable and timely management information;
- 16.7.3.12 monitoring process which provides reasonable assurance that there are appropriate control procedures in place for all the Licensee's lottery operations and that these procedures are followed; and
- 16.7.3.13 has a formal procedure for identifying weaknesses and ensuring appropriate corrective action.