

CONTROLS CASE - regulatory settlement

Number	Date of incident	Background	Licence Condition	Description	Regulatory concerns and action taken	Sanction
1.	24.10.16	<p>Mobile results checker/QR scanner incorrect prize outcomes</p>	<p>Condition 5.1 of the Licence to operate the National Lottery requires the Licensee to ensure that at all times its running of the National Lottery is Fit for Purpose, as that phrase is defined in the Licence.</p> <p>Condition 5.10A(b) of the Licence to operate the National Lottery requires the Licensee to ensure that all Processes and Procedures are Fit for Purpose.</p> <p>Condition 7.42 of the Licence to operate the National Lottery requires the Licensee to ensure that material to enable a Player to play in a Constituent Lottery is accurate, does not mislead players and is compatible with the terms and conditions, rules, procedures and game specific rules of the Constituent Lottery.</p>	<p>Players utilising version 4.3 of the National Lottery mobile apps may have been presented with an incorrect “non-winning” message when checking a winning ticket using the manual results-checker or QR ticket scanner functionality within the mobile app.</p> <p>Camelot advises this issue was caused by a software coding issue when it launched version 4.3 of the app.</p>	<p>The error resulting in an incorrect “non-winning” message being presented when tickets were checked would lead some customers to believe they had not won a prize when they could have done. Players have potentially been misled and not claimed a prize legitimately due to them.</p> <p>It is recognised that on becoming aware of the issue on the 26 October 2016, Camelot took action to lock the apps and investigate the issue - the intervention meant that no further player could possibly see an incorrect message, as players are unable to use the mobile apps in a locked state. A communications plan was also implemented to make players aware of the issue.</p> <p>Camelot states that most players would have received the correct results and the impact was limited to the small number of players (in comparison to the population of successful users) trying to start the app whilst not connected to the internet, and then using the manual or ticket scanner results checker. It accepts that the potential impact on those players could have been serious and could potentially have caused some players to have missed out on claiming a prize that they were entitled to; as a result of having been shown a non-winning message.</p> <p>Camelot has been open and transparent with the Commission in relation to this incident.</p>	<p>Camelot has accepted the identified breaches and offered a sum of £400,000 as payment in lieu of a financial penalty.</p> <p>The Commission has on 30 July 2018 accepted this proposal.</p>

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2.	27.08.16 to 30.08.16	Lotto: Olympic medal prize promotion incomplete results publication on web	<p>Condition 5.1 of the Licence to operate the National Lottery requires the Licensee to ensure that at all times its running of the National Lottery is Fit for Purpose, as that phrase is defined in the Licence.</p> <p>Condition 5.10A(b) of the Licence to operate the National Lottery requires the Licensee to ensure that all Processes and Procedures are Fit for Purpose.</p> <p>Condition 7.42 of the Licence to operate the National Lottery requires the Licensee to ensure that material to enable a Player to play in a Constituent Lottery is accurate, does not mislead players and is compatible with the terms and conditions, rules, procedures and game specific rules of the Constituent Lottery.</p>	<p>Between 22:32 on 27 August 2016 to 09:20 on 30 August 2016 (approximately 2.5 days) a temporary results page on the National Lottery website displayed an incomplete list of raffle prizes following the Lotto Medal Event draw on Saturday 27 August 2016. Instead of displaying the full list of 88 prizes only 21 were displayed. A total of 52,379 players were directed to this page. Of these only 13,267 were registered players who would have received confirmation if they had won prizes.</p> <p>Camelot advised the Commission that the cause of the incident was an automatic redirect process, dating from January 2016 and that the temporary results page, which was fit for purpose for a standard Lotto draw, was not updated prior to the special draw on the 27 August because the Digital Content Team was not aware that players would be redirected to this legacy page without intervention by the relevant teams.</p>	<p>Those unregistered players (39,112) have potentially been misled and may not have claimed a prize legitimately due to them.</p> <p>If appropriate processes and procedures had been in place (including QA) for an out of the ordinary prize draw, then the risk of this occurring would have been mitigated. It is what would be expected of a diligent operator and it is not clear that Camelot took these steps in this instance.</p> <p>The Commission has previously taken regulatory action resulting in two financial penalties in relation to Camelot's failures in relation to digital content on its website. This further example demonstrates Camelot's failure to implement appropriate controls and brings into question if Camelot's procedures are fit for purpose and if there is adequate internal control.</p> <p>This incident called into question whether the National Lottery was being run with all due propriety and given some players may have missed out on claiming a prize, the interests of participants have not been protected.</p> <p>It is recognised that on becoming aware of the matter on 30 August 2016 Camelot removed the temporary results page, and put an 'important notice' for players on the National Lottery Homepage with a link to the complete list of raffle numbers. This messaging was revised on 1 September 2016 following engagement with the Commission. Camelot issued press releases on 9 September 2016 to create additional awareness for players of some retail unclaimed prizes. Notification emails were sent to the 13,267 registered players that had visited the temporary page.</p>	<p>Camelot has accepted the identified breaches and offered a sum of £400,000 as payment in lieu of a financial penalty.</p> <p>The Commission has on 30 July 2018 accepted this proposal.</p>

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3.	23.05.16	Direct debit instruction failure	<p>Condition 5.1 of the Licence to operate the National Lottery requires the Licensee to ensure that at all times its running of the National Lottery is Fit for Purpose, as that phrase is defined in the Licence.</p> <p>Condition 5.10A(b) of the Licence to operate the National Lottery requires the Licensee to ensure that all Processes and Procedures are Fit for Purpose.</p> <p>Condition 7.42 of the Licence to operate the National Lottery requires the Licensee to ensure that material to enable a Player to play in a Constituent Lottery is accurate, does not mislead players and is compatible with the terms and conditions, rules, procedures and game specific rules of the Constituent Lottery.</p>	<p>On 3 June 2016 Camelot became aware that a total of 2719 direct debit instructions (DDIs) had not been processed on 23 May. As a result no funds were taken and no wagers were entered in draws.</p> <p>Camelot advised that this was as a result of planned network maintenance which caused a disruption to the normal processing of direct debit instructions.</p> <p>Camelot advised that the DDI report is sent to the bank every working day as part of the SPARK-037-BACS Submissions process. This report is reliant on the Business Objects report, which on this occasion on 23 May 2016 had been delayed due to planned network maintenance.</p>	<p><u>That</u> some 11 days after the event the team did not appear to have realised that as part of its process the report had not been generated and the DDI task not performed, called into question Camelot's control environment.</p> <p>Not adhering to their own internal process, and that Camelot were reliant on a customer complaint to highlight the error, called into question if Camelot's procedures were fit for purpose and if there is adequate internal control.</p> <p>In addition, before the actual failure occurred, a diligent operator should have foreseen the impacts of the planned maintenance and/or the risk of delays to essential reports as a result of the maintenance and adequately mitigated those risk / scenario planned contingencies</p> <p>Camelot accepts that the controls relating to the verification of the completion of the process were not sufficient to identify the incident in a timely manner, but notes that that after the occurrence it acted quickly to strengthen controls.</p> <p>It is recognised that on becoming aware of the matter Camelot implemented a player contact strategy to inform those players impacted by the failure. As the issue was identified 4 weeks before the direct debits were due to start it was able to contact players to allow them sufficient time to make arrangements to enter those draws online or in retail and no player therefore would have been prevented from entering a draw.</p> <p>In addition, Camelot credited to players' accounts a £5 gesture of goodwill for inconvenience caused.</p> <p>To mitigate the risk of reoccurrence, it has introduced a new software solution and added an interim manual check into its process.</p>	<p>Camelot has accepted the identified breaches and offered a sum of £50,000 as payment in lieu of a financial penalty.</p> <p>The Commission has on 30 July 2018 accepted this proposal.</p>
4.	Incidents on 03.02.17 and 23.02.17; ongoing failings identified April 2017	Security measure failings	<p>5.10A (b): The Licensee shall ensure that all Processes and Procedures are Fit for Purpose (as defined in the Licence)</p> <p>5.15 (a): The Licensee shall ensure the security of all equipment, systems, data, ticket materials and other consumables used in connection with the National Lottery and any Constituent Lottery and all proceeds arising from any Constituent Lottery and Ancillary Activity so</p>	<p>This relates to inadequate security measures in respect of information security and physical security.</p> <p>A review in April 2017 of Camelot's IT administrative controls identified failings in relation to security measures in place for access rights to the IT system, and a further test identified two unauthorised individuals had obtained access to a Gambling Commission secure room.</p>	<p>An effective system of access control is essential for ensuring the security of the National Lottery process. The operating Licence puts obligations on the Licensee to ensure information assets should be protected from unauthorised access, use, disclosure, destruction and/or theft. This should be achieved by having appropriate controls in place.</p> <p>The Licensee has obligations to ensure premises it occupies are kept secure to maintain the security of the National Lottery and in addition the Licensee is required to maintain secure accommodation for the exclusive use of Gambling Commission staff/its representatives. Camelot failed to comply with this</p> <p>This matter is in addition viewed in context of a number of incidents relation to control matters – there is a control component to this case relating to the effectiveness of monitoring access rights appropriately.</p> <p>In addition, the Commission considered a number of other factors:</p> <ul style="list-style-type: none"> Ineffective systems and access control and the potential impact on the integrity of the National Lottery, whether the National 	<p>Camelot has accepted the identified breaches and offered, as joint settlement with the Post Office matter, a sum of £300,000 as payment in lieu of a financial penalty.</p> <p>In addition, Camelot has provided a number of voluntary undertakings, which are in summary:</p> <p>Information security</p> <ul style="list-style-type: none"> Update the Camelot access control policy to be clearer on roles and responsibilities Review its approach to password rotation, which will include conducting a risk assessment Undertake an independent audit of the governance framework for Information Security to ensure it is fit for purpose

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			<p>as to minimise opportunities for theft, fraud or misuse</p> <p>5.17: The Licensee shall ensure that any data and other information relating to any Constituent Lottery cannot be accessed, read, added to, removed or altered by unauthorised persons</p> <p>5.20 (b): The Licensee shall ensure that an appropriate level of security is maintained in or over Secure Areas</p> <p>10.9 (a:): The Licensee shall provide secure accommodation for the exclusive use of Commission Staff at the Licensee's head office or at such other location as the Commission shall specify.</p>		<p>Lottery is being conducted with due propriety and consumer confidence in the process.</p> <ul style="list-style-type: none"> After the previous prize claim failure, there is an expectation that the National Lottery security will be at the forefront of Camelot's compliance priorities Concerns regarding the effectiveness of Camelot's revised processes implemented following the previous prize claim case <p>It is recognised that in response to our concerns remedial steps have been taken by Camelot. However, at this stage we are unable to evaluate the effectiveness of these measures.</p> <p>Individually the incidents are of limited impact but when viewed in context of the previous case failings and collectively, they put into question the effectiveness of certain physical and information security processes and procedures.</p> <p>Camelot has recognised the need to improve the processes and technologies in place to support ongoing compliance, and has initiated a programme of work to improve controls in these areas.</p>	<ul style="list-style-type: none"> Continue to maintain an independent certification against ISO27001 and the World Lottery Association Security Control Standard. This will include an audit to check the effectiveness of every security control in place at least once over a certification cycle Engage a team that specialises in providing assurance on the effectiveness of Information Security controls to independently audit effectiveness as part of Camelot's FY17/18 <p>Physical Security</p> <ul style="list-style-type: none"> Carry out a holistic review of the governance of physical security Upgrade the physical security system in use at Camelot Move responsibility for the revocation of physical access to the IT service desk to ensure physical access is revoked in a timely manner. Carry out an access attempt exercise and audit by the Information Security Team to assess the effectiveness of physical security of Camelot's Secure Areas and the Commission's secure accommodation. <p>The Commission has on 30 July 2018 accepted this proposal.</p>
5.a	Failings identified April 2016	Post Office contract control failings	<p>15.15 (a): every Licensee Subcontract, Series Subcontract and Sub Series Subcontract shall contain such provisions to enable the Licensee to fulfil its obligations under and comply with the Licence</p> <p>5.10A (b): The Licensee shall ensure that all Processes and Procedures are Fit for Purpose (as defined in the Licence)</p>	<p>The Post Office pays out prizes on behalf of the National Lottery and it is therefore required that Camelot has in place appropriate processes and procedures to ensure that the management of this significant, consumer facing contractor is appropriate.</p> <p>A Camelot internal audit report identified a lack of service agreement with this supplier leading to practices placing the National Lottery at risk of fraud and reputational damage.</p>	<p>Failures identified in the Camelot internal report indicated the retailer agreement in place at the time did not provide the required level of governance between Camelot and the Post Office. The report highlighted areas of medium and high risk including the processing of prize payments at Post Office branches and Post Office supplier contract management. The audit identified practices which could facilitate fraud resulting in potential loss to good causes and subsequent National Lottery reputational and participation issues.</p> <p>The Commission was concerned that for a period of 8 years there was insufficient governance of the contractual relationship with the Post Office. Until 7 August 2017 there were no contractual key performance measures in place to ensure adherence to standards or to provide quality assurance. These circumstances lead the Commission to believe that Camelot's processes were not fit for purpose as required by the Licence condition.</p> <p>Whilst there was potential for players to receive levels of service lower than they were entitled to as a result of these failings, there was no evidence this had occurred.</p>	<p>Camelot has accepted the identified breaches and offered, as joint settlement with the Security measure failings matter, a sum of £300,000 as payment in lieu of a financial penalty.</p> <p>In addition, Camelot has provided a voluntary undertaking to put in place a formal supplier management framework specific to the Post Office.</p> <p>The Commission has on 30 July 2018 accepted this proposal.</p>

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					It is recognised that Camelot has taken remedial steps and put in place a revised agreement with supplier C on 7 August 2017.	
5.b	Failings identified March and April 2017	Key Licensee Subcontractor contract control failings	<p>Condition 5.10A(b) of the Licence to operate the National Lottery requires the Licensee to ensure that all Processes and Procedures are Fit for Purpose.</p> <p>Condition 10.4(c) : The Licensee shall establish and keep up to date on a monthly basis a register of Key Licensee Subcontracts</p> <p>Condition 12.4(a)(iii): The Licensee shall not allow any person to become a party to any Key Licensee Subcontract without the prior consent of the Commission</p> <p>Condition 15.15 (a): The Licensee shall ensure that every Licensee Subcontract, Series Subcontract and Sub Series Subcontract shall contain such provisions to enable the Licensee to fulfil its obligations under and comply with the Licence.</p>	<p>A Key Licensee Subcontract (KLS) is a contract which because of its scale and impact on the National Lottery process is required to carry additional obligations. The aggregate contract value for KLS designation is £3 million or more. The Licensee is required to establish and keep up to date on a monthly basis a register of KLS.</p> <p>In March 2017 Camelot failed to identify and report a contract with Fastrak as a KLS when annual spend exceeded £3m. Also in April 2017 Camelot failed to identify and report the contract with ITV as a KLS when annual spend exceeded £3m</p> <p>By failing to inform the Commission, Camelot also allowed these organisations to become parties to a KLS without the prior consent of the Commission.</p> <p>Additionally, as a result of not identifying these contracts as a KLS the Commission was concerned that Camelot had (a) failed to implement any appropriate contractual and performance arrangements to ensure the KLS meets its obligations and (b) failed to ensure that the subcontracts contain</p>	<p>The purpose of licence conditions relating to KLS is to ensure that high value and therefore high risk contracts are identified as such and that appropriate governance arrangements are in place.</p> <p>The failures to identify KLS as they emerge gives rise to concerns regarding the manner in which Camelot ensures that key business relationships which impact upon the process of the National Lottery are appropriately assessed to ensure that the required contractual and governance arrangements are in place.</p> <p>These circumstances demonstrate that for a significant period of time (at least 12 months) there was a lack of appropriate measures in place to address the risks posed by these high value suppliers.</p> <p>Additionally, this failure to have in place the required governance framework for high value contractors brought into question whether the lottery was being conducted with all due propriety.</p> <p>Camelot advised that it had since put in place significant process improvements and has given additional undertakings to further develop the processes for identifying KLS, as well as training to improve the understanding of KLS for key business roles. In addition it has proposed it will implement a risk assessment to the KLS on-boarding process to ensure that the potential risks of any new KLS are identified and suitable performance management is put in place.</p>	<p>Camelot has accepted the identified breaches. In addition, Camelot has provided a number of voluntary undertakings, which are in summary:</p> <p>Key Business Relationships</p> <ul style="list-style-type: none"> Establish a robust process for identification and training of Relationship Managers Initial cross company training communication on KLS criteria. Establish a new check on requested supplier spend. <p>Decision making in the identification of KLS</p> <ul style="list-style-type: none"> Produce a formalised KLS Supplier Monitoring Process Establish a single approach to decision making on KLS designation. <p>KLS risk assessment process</p> <ul style="list-style-type: none"> Formalised risk assessment process for KLS suppliers KLS risk assessment

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				<p>provisions to enable it to fulfil its obligations under and comply with the Licence.</p> <p>For a period of at least 12 months Camelot failed to have in place appropriate and effective governance arrangements to identify and manage KLS and as a result its processes were not fit for purpose.</p>		