

GAMBITS

NEWSLETTER OF
GAMING AND
CENSORSHIP
REGULATION

DECEMBER 2002

www.dia.govt.nz

THE DEPARTMENT OF INTERNAL AFFAIRS

Te Tai Tokerau

CONTENTS

ELECTRONIC MONITORING SYSTEM (EMS) TENDER PROCESS	P2
WWW.DIA.GOV.T.NZ	P2
CORRECTION: INDICATIVE COSTS FOR EMS	P2
HAMILTON CASINO - DEPARTMENT'S NEWEST OFFICE	P3
RESPONSIBLE GAMBLING BILL AND CASINOS	P3
DEPARTMENT SPEAKERS AVAILABLE	P4
CASINOS ARE R20 NOT R18	P4
GAMING MACHINE SOCIETIES CAN BE LISTED ON FUNDVIEW	P4
THREE GAMING MACHINE SOCIETIES LICENCES CANCELLED	P5
EDUCATION AND ENFORCEMENT	P6
TWO CHRISTCHURCH MEN BANNED - GAMING MACHINE OPERATIONS	P7
BLUE BOOK	P7
DISCUSSION PAPER - SECTOR COMMENTS SOUGHT	P8

Responsible Gambling Bill reported back with significant amendments

The **Government Administration Select Committee** tabled its report on the Responsible Gambling Bill on November 19.

The Bill was introduced to Parliament on February 19 this year, had its first reading and was then referred to the Committee on February 26. The Bill will now go onto the parliamentary Order Paper, will be debated in Parliament, could have further amendments made to it and will be voted on before it becomes law.

Gambits will provide further information about the Bill's progress as it becomes available.

In making its recommendations, the Committee considered 521 written submissions from interested parties and individuals, of which 138 were supported by oral evidence. Many supplementary submissions were also received along with 933 form submissions.

Significant amendments recommended by the Committee are associated with electronic monitoring of gaming machines, territorial authorities' gambling venue policies and the Gambling Commission.

The Committee has recommended endorsement of some provisions of the existing legislation, the Gaming and Lotteries Act, which have been transferred to the Bill. These include retention of the current system for distributing profits from gaming machines to community groups, the requirement that most forms of gambling can only be conducted by licensed societies and a revised, broad definition of "authorised purposes" for distributing gaming machine profits.

The Committee has suggested amendments that would require all operators of non-casino gaming machines to connect their machines to an electronic monitoring system (EMS). They would have to do this by a date specified by the Secretary for Internal Affairs, but no later than three-and-a-half years after the Bill received Royal assent. Previously, the Bill had broadly empowering provisions that did not necessarily make EMS mandatory.

There are also proposed amendments to strengthen and improve the role of communities in determining the level of gambling in their area. These include that territorial authorities, in adopting their gambling venue policies:

- may specify that there will be no more gaming machines permitted to operate, or new venues established, in their area
- must have regard to the social impact of gambling
- must notify Maori organisations within their district
- must review their policy at least once every three years.

You can download copies of the Bill from www.clerk.parliament.govt.nz/cgi-bin/select-reports, while the Department's website, www.dia.govt.nz then click on "what's new", has much additional information about the gaming review and also a link to the Bill.

Electronic Monitoring System (EMS) tender process

The **Responsible Gambling Bill**, as reported back to Parliament, would make it mandatory for all non-casino gaming machines in New Zealand to eventually be connected to an electronic monitoring system (EMS).

This would be a major IT project, and to ensure that it would meet whatever deadline Parliament sets, the Department of Internal Affairs has begun preliminary work on planning a public tender process.

There has been a great deal of interest expressed by parties interested in providing different parts of the system, and the Department is ensuring that all are given the same information.

EMS would identify each individual gaming machine, record the money gambled on it, record the money it paid out as prizes, and send that information to a central monitor.

In very general terms, EMS would involve software being installed on each gaming machine, connections from the machines to a telecommunications network, provision of the network and running the central monitor that would process the data collected.

The Department has identified QCOM as the software protocol that will be used on gaming machines to ensure that they can communicate with EMS. QCOM is the protocol already used in Queensland, Northern Territories and Tasmania, which have many more gaming machines than New Zealand's 23,000.

The next step in the process is for Parliament to debate the Bill and to decide on the provisions for EMS.

After Parliament makes its decision on the law, the Department plans to set up a project management team to finalise advice to Government, develop specifications for the system and carry out the tendering process. Governance

and oversight will be in accordance with published policies:

- *Guidelines for Managing and Monitoring Major IT Projects* (State Services Commission and the Treasury)
- *Governance and Oversight of Large Information Technology Projects* (Office of the Controller and Auditor General)
- *Procurement: A Statement of Good Practice Projects* (Office of the Controller and Auditor General)
- New Zealand and Australian/New Zealand standards for IT, communications and installation.

The project management team will hold consultation workshops to ensure that all interested parties can provide input into, and have good understanding of, the tender documents and the evaluation criteria.

The tender will be advertised widely in New Zealand and overseas, and the evaluation criteria will be used to decide on the successful tenderer or tenderers.

Independent quality assurance will be included in the process through a service provided by Audit New Zealand.

The Department will not start its process until after Parliament makes its decisions about the law, and the process will be as widely publicised and as open as possible.

Correction: Indicative costs for electronic monitoring systems

The Department of Internal Affairs has written to the Government Administration Select Committee correcting its recent advice on the indicative ongoing costs for an electronic monitoring system for gaming machines.

Incorrect figures appeared in the commentary to the Responsible Gambling Bill when the Bill was reported back to Parliament.

As indicated previously in April, and currently displayed on the Department's website, the correct indicative costs are:

- one-off set up costs of \$5,000 to \$7,000 per site
- ongoing monitoring fee of \$20 to \$30 per gaming machine per month
- ongoing communication costs of 50c to \$6 per gaming machine per month.

Recent advice had described ongoing costs as per site. The correct figures are per machine.

Department website www.dia.govt.nz

The Department's website provides extensive wide-ranging information about the gaming sector. Click on "What's new" for:

- link to the Responsible Gambling Bill as reported back to Parliament 19 November 2002.

Click on "Gambling" for:

- funding for community groups
- links to all current gambling laws
- gaming review Cabinet Papers
- frequently updated gaming statistics
- application forms for all gaming licence applications
- and much more.

Department's newest office, in NZ's last casino

The Department of Internal Affairs' newest office opened recently at what could be the country's last casino, Riverside Casino in Hamilton. The Responsible Gambling Bill in its current form prohibits any more casinos in this country.

The Department has Inspectors permanently located in all six of New Zealand's casinos. They have extensive roles in monitoring the gambling operations at the casinos and also in preparation before a new casino opens.

The Riverside project began in January when the Department's IT Manager for Casino Supervision and Inspection, Fred Ferris, was appointed Project Manager.

The Department is responsible for ensuring that:

- the casino gaming equipment meets the Casino Control Authority's (CCA) standards and is performing correctly. Testing is carried out on all gaming machines, software, alarms, note acceptors, pay table/artwork and jackpots
- surveillance cameras are operating in accordance with the CCA's policies
- effective internal control procedures, which essentially outline how the casino will carry out its processes, are in place.

This testing was carried out over an intense two-week period between the official handover of the casino from the construction firm through to the opening date. A group of experienced Inspectors from casinos around the country carried out the testing along with the three recently recruited Inspectors who are now based at the new casino.

The results, along with any further information required, are relayed to the CCA just prior to opening. It is then for



The Department's Inspectors at Riverside Casino, Hamilton (left to right) Derek Hartley, Steven Taylor, Robin French.

The Inspectors were selected for their broad range of skills, each having expertise in different areas that complement each other. Mr French was previously employed by the Inland Revenue Department and has a background in finance and audit environments. Mr Hartley's previous role as a Police officer provides the skills to investigate incidents and Mr Taylor was previously an information systems auditor with Ernst and Young.

the CCA to give approval for the casino to open.

After the casino is opened the Inspectors monitor the day-to-day functions of a casino including:

- auditing the gaming and casino processes
- assisting in the detection of offences against the Casino Control Act
- investigating complaints from patrons
- detecting and reporting on breaches of the Casino Control Act, licence conditions and directions from the CCA.

The Responsible Gambling Bill and casinos

The Government Administration Select Committee reported the Responsible Gambling Bill back to Parliament last month.

In its current form, the Bill proposes significant changes to the way casinos are regulated in New Zealand. These include wider responsibilities for the Department of Internal Affairs, the abolition of the Casino Control Authority (CCA) and the creation of a Gambling Commission with a very different role to the CCA.

You can download copies of the Bill from www.clerk.parliament.govt.nz/cgi-bin/select-reports, while the Department's website www.dia.govt.nz then click on "what's new", has much additional information about the gaming review and also a link to the Bill.

Department speakers available

The Department of Internal Affairs is developing a speaking programme to help educate the community and gaming sector about the Responsible Gambling Bill, and all aspects of gambling regulations and licence conditions, after the Bill is passed.

A Department speaker could provide valuable information to:

- community groups about access to funds and running your own fund raising
- organisations involved in the gaming sector.

Knowledge of the legislation and related regulation can help you avoid breaches by your organisation or staff and can help you identify breaches by other organisations.

It is planned to start the programme early next year. If you wish to be included in it, please contact: Communications Advisor Vince Cholewa, telephone (04)495-9350, fax(04) 495-7224, e-mail vincent.cholewa@dia.govt.nz

Gaming machine societies can be listed on FundView, www.fis.org.nz

Gaming machine societies that make grants to community groups can have themselves listed on FundView at the Funding Information Service's (FIS) website.

Listing on this website will help them comply with licence condition 48 which includes that "The society shall ensure that information about access to grants is made available to the public through community-based distribution networks."

FundView is an easy to use computer database detailing funding available to community groups. The database is updated regularly and has more than 600 funding schemes listed. The search facility allows a user to select information about appropriate funding organisations by using a set of criteria provided by the grantmaker.

Casinos are R20 not R18

The Department of Internal Affairs is concerned that many young people do not seem to be aware that they must be 20 years old to enter the gaming floor of a casino.

This is a different to non-casino gaming machines, where the Gaming and Lotteries Act does not impose an age restriction, but a licence condition has been set that means, in effect, people must be 18 years old to play.

Department Inspectors have been working with the Problem Gambling Foundation recently in response to concerns about minors on the casino gaming floor. The objective is to educate local youth about the rules surrounding entry to the casino to reduce the numbers of minors gaining or attempting to gain access to the gaming area.

People under 20 who are found on the gaming floor can be prosecuted and fined up to \$500. It is also an offence for minors to present false identification to the casino to gain access to the gaming floor. Again, Courts can impose a fine of up to \$500.

Our work with the Problem Gambling Foundation will include it issuing information from the Department outlining these rules. This information will be delivered to local youth as part of a number of workshops that are being conducted.

We also look forward to working with the Foundation in the area of problem gambling, as our role may additionally focus on this area under the Responsible Gambling Bill.

The Department of Internal Affairs is a major subscriber to this database and makes it available to community organisations through its Community Development Group. Many public libraries and council information centres also hold FundView for public use.

The Funding Information Service also produces regular monthly updates and a quarterly newsletter updating information and keeping the community informed about other information relevant to fund seekers and funding providers including a calendar of upcoming application closing dates.

Contact: **Catherine Maryon**, Information Manager, Funding Information Service, PO Box 1521, Wellington, telephone (04) 499-4090, fax (04) 472-5367, e-mail cathi@fis.org.nz, website www.fis.org.nz

Department cancels three gaming machine societies' licences

The Department of Internal Affairs has cancelled the licences of three gaming machine societies after audits revealed serious licence condition breaches.

The societies are the Canterbury Pool Association, Greymouth Lions Club and Victory Billiards, Sports and Educational Trust. Cancellation means that these societies can no longer operate gaming machines on any site.

Gaming machine licence condition 1 states that: "Any serious breach of licence conditions may result in suspension, non-renewal, non-amendment or cancellation of the society's licence, or suspension or cancellation of a site approval."

The Department's guidelines to the condition state that it will consider breaches involving money from gaming machines, inadequate records or failure to provide records as serious. Other breaches may also be regarded as serious depending on the circumstances of each case.

After an investigation, the Department determines the appropriate sanction, and then:

- notifies the society of its intention to cancel the licence and give reasons
- invites the society to make submissions within 20 working days
- considers any submissions before making a final decision
- gives the society written notice of the decision.

Canterbury Pool Association, Christchurch

The Canterbury Pool Association's licence was cancelled on November 8. It operated a single site, The Corner Pocket, in Christchurch.

After an audit, the Department found four extremely serious breaches of licence conditions. These were:

- the Association could not provide the necessary records of its gaming machine operation
- gaming machine operations and accounting were not carried out as required by the *Gaming Machine Operators' Manual*
- after a warning from the Department, the Association continued to employ an unsuitable person to control its gaming machine records. The man had been convicted of stealing \$85,000 from the gaming machine operations of a previous employer
- while societies are required to be responsible for their sites and ensuring that their site operators understand any licence conditions, the

Association had little control over the day-to-day affairs of its gaming machine operation.

Greymouth Lions Club, Greymouth

The Greymouth Lions Club's licence was cancelled on November 17. It operated a single site at the Quality Kings Hotel in Greymouth.

After an audit in December 2001, the Department found the Club's gaming machine operation had breached 13 licence conditions in relation to record keeping, handling of money and making grants to community groups.

In a follow-up audit carried out this year, the Department found breaches of nine licence conditions, again in relation to record keeping, handling of money and the grants process.

With serious breaches being repeated and little improvement in compliance with licence conditions, the Department concluded that it should cancel the Club's licence.

Victory Billiards Sports and Educational Trust, Wellington

The Victory Billiards Sports and Educational Trust's licence was cancelled on November 13 and the Trust is required to take all reasonable steps to recover \$57,723.95 missing from its gaming machine account. It operated a single site in Wellington.

An audit of the Trust's gaming machine operation found breaches of seven licence conditions relating to the:

- Trust not having a site agreement with the site operator
- Trust not carrying out the necessary financial recording
- operator's late banking of gaming machine money, and a shortfall of \$57,723.95 in banking
- processes for making grants to community organisations being inappropriate and the grants made not being recorded accurately.

Education and enforcement: October 1 licence conditions

The Department of Internal Affairs has contacted the Chairs of all societies that operate gaming machines at public sites, reiterating the licence conditions changes that came into effect at October 1.

The General Manager of the Department's Gaming and Censorship Regulation group, Keith Manch, said it is important that the society boards, as well as management, understand the licence conditions.

"We want to work with the societies to ensure full compliance with the law and gaming licence conditions," Mr Manch said. "This will support both maximum returns to the community and the ability of societies to operate on an equal footing.

"We are pleased with the responses we are receiving from the societies, and their commitment to compliance with the rules."

One of the conditions bans gaming shops, which are sites where gaming machines are the primary activity.

The Department has also started contacting societies, identifying specific sites that it believes are gaming shops. The societies are given 20 working days notice that the Department intends to revoke those site approvals. The societies may make submissions to the Department about the decisions.

Gaming inspectors have already visited more than 326 sites around the country gathering information to determine if they are, in the Department's opinion, gaming shops. The information is collated and checked to ensure that all sites are treated fairly and that the same criteria are used nationwide.

Licence conditions that came into effect at 1 October 2001, requiring compliance by 1 October 2002 are:

- societies should have reduced site payments to \$150 or less per machine per week, or have sought and received dispensations from DIA for site payments in excess of \$150
- gaming machines must not be the primary activity on the site
- there can be only one gaming machine site per building or premises
- any public site must have a liquor on-licence with a designated supervised or restricted area and the machines must be operated within that area (This

particular licence condition is not being enforced for existing sites pending the outcome of proceedings currently before the Court.)

New licence conditions effective from 1 October 2002 are:

- societies must return all available funds to the community, not just the 33% minimum
- significant improvements are required in the public's access to grant application forms. Societies must ensure that the forms are freely available and not under the control of site operators. Societies must also make information about the availability of grants freely accessible through community networks. The Department will allow societies until the end of this year to achieve full compliance with these changes
- where a society considers that it is impractical for its committee to consider every grant application, it may instead use reasonable, documented systems to make funding decisions. It must notify the Department with full details of the system before implementation or before making changes to it
- no person involved in the management or operation of gaming machines at a site shall play the machines at that site on any day they are employed at the site, and no one can play machines when the site is closed to the public
- expenses related issues have been clarified by the addition of expanded guidelines, including the criteria for dispensations for high performing sites from the \$150 limit.

If societies have any queries or require further information about the licence conditions, they should contact the Gaming Compliance Regional Manager in Auckland, Wellington or Christchurch on 0800 257 887.

Questions, queries, comments

If you have any questions about articles in **Gambits**, would like further information or have comments about what information we could provide to make **Gambits** more useful to you, please contact:

Communications Advisor
Vince Cholewa,
telephone (04) 495 9350,
fax (04) 495 7224,
e-mail vincent.cholewa@dia.govt.nz

Department bans two Christchurch men from involvement in gaming machine operations

The Department of Internal Affairs has found two Christchurch men to be “unsuitable persons” to be involved in gaming machine operations.

One of the men has convictions for stealing \$85,000 from a gaming machine operation that he was working with and the other has a history of incorrect banking from gaming machine operations.

The Department’s decision prevents the men being a principal officer, employee, contractor, representative or site operator for any gaming machine society. Typically, the Department would not approve someone who has been deemed “unsuitable” for 10 years following its decision, with each case decided on its individual circumstances.

Licence condition 5 sets out the criteria for determining unsuitability:

- conviction of an offence against the Crimes Act 1961
- conviction of an offence relating to dishonesty
- being an undischarged bankrupt
- a breach of the gaming legislation
- a serious breach of a licence condition.

The Department regards a significant loss of gaming machine money as a serious breach of licence conditions. This includes a pattern of late or short banking of money from the machines or dishonesty or misuse of gaming machine money.

If a gaming machine society allows an unsuitable person to be involved in its gaming operations, the Department can cancel, suspend or refuse to renew its licence (licence condition 6).

The General Manager of the Department’s Gaming and Censorship Regulation group, Keith Manch, said that it is the Department’s responsibility to regulate the operation of gaming machines so that they are operated fairly and honestly and so that maximum returns are made to societies’ authorised purposes.

“Clearly the integrity of the people involved in gaming machine operations is vital to achieving this, and we will continue to take action against unsuitable persons as required,” Mr Manch said.

Blue Book – New alternative for recording of hopper refills

Section 2.5 of the Gaming Machine Operations Manual, the “Blue Book”, deals with hopper refills. It is mandatory that separate, written records must be kept for every occasion on which a refill is placed into a gaming machine hopper. Details recorded should consist of machine identity, time, date, amount, hopper refill meter reading and the signature(s) of the staff member(s) actioning the refill. Currently, the minimum requirement is that these details are recorded on the Cash Clearance Details Report for the particular gaming machine.

The reason for using the Cash Clearance Details Report for this purpose is to provide a single record of each and every event involving cash being physically added to, or removed from, a gaming machine.

However, it is recognised that on larger sites (or indeed, some of the smaller ones) transactions such as “hand pays” (cancelled credits or jackpot wins) and hopper refills are carried out more frequently and by different staff members than are cash clearances.

For this reason, as an alternative to the Cash Clearance Details Report, a new form, the “Cancelled Credits, Short Pays and Refill Record” (Version 1.4(a)) has been developed. As the name suggests, it enables hopper refill details as well as machine-generated cancelled credits to be recorded.

It is emphasised that this is an optional alternative means of recording refills, but one or the other must be used and used consistently. For instance, if a decision is made by a society to use the “new” form, it is expected that all refills for all machines operated by that society would be recorded in this manner, rather than on the Cash Clearance Details Report. To avoid mistakes and confusion, it would also be prudent to introduce the new method at the beginning of the Monthly Machine Analysis accounting cycle, rather than partway through it.

The form will soon be available on the Department’s website www.gaming.dia.govt.nz, from Gaming Licensing and Compliance offices in Auckland, Wellington and Christchurch, and from Gaming Inspectors.

Discussion paper on relationships between clubs and public sites, sector feedback sought

The Department of Internal Affairs will soon circulate a discussion paper about relationships between clubs and public gaming machine sites. It will seek sector comments on how it proposes to deal with:

- non-club societies wanting to put their machines in clubs
- clubs operating machines in public sites.

Sector organisations should submit their comments on the paper by the end of January, and the Department expects to finalise its policy early next year.

If you have not received a copy of the paper by early January, or you wish to make submissions, please contact: Kate Reid, Manager Gaming Operational Policy, Department of Internal Affairs, PO Box 805, Wellington, telephone (04) 494-0674, fax (04) 494-0696, e-mail kate.reid@dia.govt.nz

Gambits is produced by the Department of Internal Affairs to provide information to the gaming sector in New Zealand. It is intended as education and communication that will help the sector comply with the law and licensing conditions by explaining what the law and conditions require, and how the Department operates.

Editor

Vince Cholewa
Ph: 04 495-9350 or 025 272 4270
Email: vincent.cholewa@dia.govt.nz

Gaming Licensing

Ph: 04 494 0700 or 0800 257 887
Email: gaming.licensing@dia.govt.nz
Postal: PO Box 10-095, Wellington
Fax: 04 494-0656

Gaming Compliance

Christchurch
Ph: 03 353-8303 Fax: 03 353-8309
Wellington
Ph: 04 494-0700 Fax: 04 495-7214
Auckland
Ph: 09 362-7938 Fax: 09 362-7945
Website www.gaming.dia.govt.nz

Do you want to receive Departmental media releases and *Gambits*?

If you would like to have your organisation added to the Department's distribution list for media releases about gambling issues, or want to receive *Gambits* but are not currently on the mailing list, please fill out this form and return it, or e-mail the information, to:

Department of Internal Affairs, PO Box 805 Wellington, Communications Advisor Vince Cholewa, telephone (04) 495-9350, fax (04) 495-7224, e-mail vincent.cholewa@dia.govt.nz

Organisation's name:

Contact person:

Media releases e-mail:

fax ()

Postal address

.....

.....

.....