One way of looking at them is to state that they are not part of the hospitality industry. Instead, they are part of the charitable sector. They are not, and never have been, intended as a subsidy for businesses. This applies to both the sector and to recipients of grants.

A rule of thumb that the sector could apply to any of its practices and decisions could be to ask, “how would this benefit the community?”

Businesses that host gaming machines are allowed to recoup their actual, reasonable and necessary expenses. If they receive more than this in site payments, then they are taking money away from the community groups that it was raised for.

Grants must benefit the community and must not result in commercial or personal gain. If grants are made that do not meet these criteria, then again they are taking money away from the community groups that it was raised for.

Parliament allowed non-casino gaming machines to create a pool of money for use by community groups. Other sources of funding are available for other purposes.

For example, subsidising a local business, sponsoring professional sport or paying a grant to an individual might be good causes, but they...
Discussion Paper submissions show misunderstanding about payments

Submissions being made to the Department of Internal Affairs suggest that there could be some misunderstanding in the gaming machine sector about the purpose of site payments.

Analysis of the submissions to date, which is not complete, suggests that many in the sector believe that they should be able to make a living from gaming machines, or at least use gaming machines as a form of subsidy for their businesses.

The Department’s view is that the current law, the Gaming and Lotteries Act and the licence conditions made under that Act, does not allow this. Instead, the law allows sites to be paid the actual, reasonable and necessary expenses that they incur for having gaming machines on their premises.

The Responsible Gambling Bill currently before Parliament strengthens the current prohibition on commercial gain from gaming machines.

The Discussion Paper on Site Payments, and the consultation following it, is about how actual, reasonable and necessary expenses should be assessed and paid. That is, what is the best way of applying the law? The Department cannot rewrite the law.

Submissions were due by June 20, and more than 70 were received. About half are from gaming sector organisations and half from the wider community, including problem gambling treatment providers and local government.

The Department is pleased with the response from the wider community, particularly as it has not actively sought such involvement previously. This involvement is important, because the sole reason for the licensed gaming machine sector’s existence is to raise funds for the community. This could be said to make the community the primary stakeholder in the sector.

The submissions are currently being analysed and if further information is required on the issues raised the Department will seek that information.

We will send out a further discussion paper including recommendations and then arrange meetings as appropriate.

We will give the community and the sector notice of the final decisions and the new policy is likely to be in place by 1 October 2003.

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from page 1

must find other sources of funding. These could include commercial sponsorship, their own fundraising, regional business funding, grants from philanthropic trusts, and other sources of money.

There is a fallacy that the sector should aim to split its profit into thirds, with one-third going to each of grants to community groups, the sector itself and to pay taxes.

While the Department can cancel a gaming machine society’s licence if it returns less than 33% to community groups, the minimum allowable return should not be the objective. Societies should aim to maximise returns to the community and minimise their expenses.

Arguing about paying tax is a red herring. Tax law applies to gaming machine societies, just as it does to other organisations and individuals. We all pay tax.

To conclude, what I have been writing about is not departmental policy. It is the law as passed by Parliament that requires non-casino gaming machine profits to be raised for community groups only and prohibits commercial or personal gain. The Responsible Gambling Bill, in its current form before Parliament, reiterates and reinforces this.

Part of the Department’s role is to enforce this law.
Action taken against 34 gaming machine societies and sites, plus 236 formal warnings

The Department of Internal Affairs took 34 enforcement actions against gaming machine societies and sites in the year ended 30 June 2003.

It also gave a further 236 formal warnings that licence conditions had been breached and required rectification.

The actions were:

- 21 suspensions of sites and societies
- 13 cancellations of societies’ licences and site approvals, which includes two societies whose licences the Department proposed to cancel and the societies chose to wind themselves up by not renewing those licences.

Inspectors follow up enforcement actions, and the ultimate outcome of the compliance process is that the society or site either fully complies with the licence conditions and the law, or its licence is cancelled.

Summaries of the eight cancellations and nine suspensions imposed earlier in the year were published in the December 2002 and April 2003 issues of Gambits. Summaries of similar sanctions imposed since then are included in this issue.

Suspending

Where a suspension is proposed, the society has 20 working days in which to make submissions. If submissions are not received, or if they do not persuade us that suspension is not appropriate, then the Department will inform the society and any other parties involved that the suspension will proceed.

At the conclusion of a suspension period, the society must have rectified all of the breaches identified before its licence or site approval is reinstated. If it has not rectified the breaches, then the Department will consider further suspension or even cancellation of the licence or site approval.

Cancellation

The process for a cancellation is similar to that for suspension.

The Department will cancel a licence where it considers that it is no longer appropriate for the society to hold a licence, in that it is no longer satisfied that the society is achieving its purpose of lawfully and properly raising funds for authorised purposes.

A site approval will be cancelled where there has been a serious breach of licence conditions, or

Department compiling photo library of gaming machine sites

As part of the audit process, Gaming Inspectors are taking photographs of all gaming machine sites.

Inspectors will make themselves known to site operators before they take the photographs.

The photographs are being kept as part of a library that will eventually include all sites.

Photographs provide more details than can be easily written into an audit or investigation report, and can give readers a better understanding of the report.
some other circumstance occurs, so that it is no longer appropriate for the society to continue to have gaming machines operating at the venue. Where a licence or site approval is cancelled, the Department will either undertake or require a final wind-up audit of the society or site to ensure that funds have been recovered and properly distributed.

**Other sanctions**

Other sanctions can be considered as appropriate, including prosecution or the imposition of specific licence conditions to deal with a particular situation.

**Cancellations imposed**

**Blue Cue, Lower Hutt (Southern Trust)**

The Department cancelled the site approval of a Southern Trust site, the Blue Cue in Lower Hutt, on 30 May 2003. The Department has also asked the Trust to explain how it intends to recover $26,000 overpaid to the Lower Hutt Pool Association (LHPA).

Following information provided to the Department, an investigation was launched that revealed serious conflicts of interest and attempts to manipulate the grant process.

The LHPA was based at the Blue Cue and Association committee members were also Blue Cue management.

The Southern Trust approved a grant of $43,500 for the LHPA to buy five new pool tables. After receiving the grant, the LHPA bought five second-hand tables that had been used at the Blue Cue. The tables were valued at $17,500 but the LHPA paid $43,500 to the Braeside Trust for them.

The Braeside Trust owned the building in which the Blue Cue was located. Its administrator was an employee of the Blue Cue, and members of his family were the beneficiaries.

In another incident, a Blue Cue employee attempted to benefit from a grant that the Southern Trust made to the Waikanae Boating Club for new motors for its rescue boat. The employee asked the Club for the second-hand outboard motors that were replaced or a $5,000 “finders fee”. The Club’s Board refused to be involved in the kick back.

**Black Pete’s Bar and Grill Sports and Charity Foundation, Auckland**

The Department cancelled Black Pete’s Bar and Grill Sports and Charity Foundation’s gaming machine licence on 9 May 2003. The Foundation operated gaming machines at three Auckland sites, Black Pete’s Bar and Grill, the Station Hotel and the Forrester’s Tavern.

An audit found serious licence condition breaches relating to gaming machine profit recording, banking, grant applications and conflicts of interest.

At no time during the six-month period audited did the Foundation’s records of gaming machine profits and bankings balance. Weekly gaming machine profits had not been recorded using the required procedures, banking was not done at least weekly, which is also required by licence conditions, and there were repeated underbankings and overbankings.

Only five of the 39 grants made in the period were recorded correctly. For 13, totalling $29,390, there was no documentation at all and one was made to an individual.

In addition, there were significant conflicts of interest with an interlinked group of people involved as Foundation trustees, site operators and owners, directors of a liquor wholesaler that supplied the sites and grant recipients, and as committee members of clubs that received grants.

**ICA Indoor Sports Centre, Napier (Heretaunga National Community & Sports Trust)**

The Heretaunga National Community & Sports Trust chose to close down the gaming machine operation at one of its sites, the ICA Indoor Sports Centre in Napier, after the Department proposed to suspend the site for six weeks.

An audit was completed in March 2003, finding a series of serious licence condition breaches, and in May the Trust removed its machines from the site.

Gaming machine profits were not correctly banked, there were no records of any bankings at all for a two-and-a-half month period, application forms for grants were not available to the public, people under 18 had access to the machines, a current site approval was not displayed and the site had none of the required information about problem gambling services.

continues page 5
Northland Emergency Services Trust

The Department proposed to cancel the Northland Emergency Services Trust (NEST) licence but after receiving submissions gave it an extension of time. During that time NEST decided to wind itself up and did not apply to renew its licence when it expired.

There were significant problems at one of NEST’s sites, the Kamo Hotel, which had not banked gaming machine profits weekly as required. Further investigations found that there was $40,000 missing from the gaming machine account. The individuals allegedly responsible had left the area.

This should be seen by all societies as an example of why they must have their sites bank gaming machine profits at least once a week and why they must keep track of what their sites bank. It is each society’s responsibility to ensure that their sites operate correctly.

Overall, NEST had not been returning the minimum of at least 33% of gaming machine profits to authorised purposes and there was a conflict of interest with one of its trustees also having a paid management position.

Westport RSA

The Department cancelled the Westport RSA’s gaming machine licence on 11 June 2003. An audit had revealed serious breaches of licence conditions, including the club’s gaming machine bank account being in overdraft but there being no record of payments to authorised purposes.

In addition, the club could provide no records of payments to players, what gaming equipment it owned, applications for grants, who made decisions about distribution of gaming machine profits and its contract with a gaming machine service agent.

Despite numerous requests, the club failed to provide the documentation required and the Department gave it 20 working-days notice that its licence would be cancelled. The club then provided some three-year old information but not the current information requested, and its licence was cancelled.

Cancellations summarised in previous issues of Gambits

- Brunner Community Trust, West Coast
- Canterbury Pool Association, Christchurch
- Victory Billiards Sports and Education Trust, Wellington
- Greymouth Lions Club
- Gulf Harbour Foundation, Auckland
- Shamrock Trust, Palmerston North
- Rocks Bar and Casino, Te Puke (Pub Charity)
- Lucky’s, Tauranga (Marlin Sports and Charitable Trust)

Suspensions imposed

Princess Tavern Sporting Trust, Palmerston North

The Princess Tavern Sporting Trust was suspended for two months from 18 May 2003. The Trust operated gaming machines at two sites, the Princess Tavern and the Post Office Tavern.

An audit and subsequent investigation found serious licence condition breaches relating to grants made by the Trust, the recording of gaming machine profits and banking gaming machine money.

Problems relating to grant making included a site operator being involved in the process; 39% of profits, i.e. $84,382 out of $216,497, being given to one recipient, (20% is the maximum one recipient can receive without written exemption from the Department); and making grants based on applicants’ projected budgets for a year, with no evidence of specific costs.

During parts of the period audited there were problems with gaming machine profit recording and banking procedures not being carried out as required. As a result, it is difficult to reconcile the Trust’s gaming machine bank account.

Accurately tracking and recording the money coming out of gaming machines and then what is done with it is absolutely fundamental.
It is gaming machine societies’ responsibility to do this and they must do it correctly. If they do not, then they risk sanctions being imposed on them.

**Bridge Tavern Sports and Charitable Trust, Waitara**

The Bridge Tavern Sports and Charitable Trust was suspended for two months from the end of March. The Trust had been given a formal warning and a subsequent audit showed that similar licence condition breaches were continuing.

The Trust was not accurately recording the weekly profits from gaming machines, was not banking the profits weekly as is required by licence conditions and did not have effective systems for managing the profits from the machines.

Effective cash management and banking systems are vital to the integrity of gaming machine operations. The Department will always consider it a serious breach if a gaming machine society does not have such systems or does not monitor them carefully.

In addition there were significant conflicts of interest at the Trust.

One of the trustees was also the owner of the Tavern where the machines were sited, had cheque-signing authority for the Trust and was in a position to make decisions about the Trust paying expenses to the Tavern.

Also, the site operator was involved in making decisions about who received grants, which is a practice explicitly prohibited by licence conditions.

**Onehunga RSA Bowling Club**

The Onehunga RSA Bowling Club was suspended for one month from 17 February 2003 after repeated licence condition breaches.

Despite a previous formal warning, an audit found many of the same serious licence condition breaches still occurring.

The Bowling Club had continued with poor cash management practices for its gaming machine operations.

The amounts banked did not correspond with the weekly gaming machine profits recorded and the club was not meeting the requirements that it bank gaming machine profits at least once a week and be kept separately from the bar float.

In addition, it did not have accurate records of payments made to players and of grants to its authorised purposes.

**Players Casino Bar, Dargaville (Caversham Foundation)**

One of Caversham Foundation’s sites, Players Casino Bar in Dargaville, was suspended for two weeks from 2 April 2003.

Public sites, which are usually pubs, must have application forms for grants freely available next to their gaming machines. People wanting application forms must not be restricted or vetted in any way by site staff. Applications must not go back to the pub but, instead, must be sent straight to the society that makes the grants.

When visited by an Inspector, Players Bar did not have forms available. The manager was asked about the forms and said that if anyone asked for one he would go through their application with them. He was advised of the licence condition requirements.

A follow-up visit found forms were still not freely available, and the manager said that if he had them on the bar, then anyone could take one and they would litter the streets.

**Coops Place, Christchurch (Century Foundation)**

One of Century Foundation’s sites, Coops Place Christchurch was suspended for two weeks from 9 May 2003 for not having grant application forms freely available next to its gaming machines and for having no information about problem gambling services.

The site manager was advised of the licence condition requirement that the forms must be available to any member of the public without them having to ask site staff for a copy and that
societies must have a responsible gambling programme.
The Department advised Century Foundation in writing, and received an undertaking that the breaches would be rectified.
A follow-up visit several weeks later found that nothing had been remedied.

**Hops n Hooves, Napier (Century Foundation)**
One of Century Foundation’s sites, Hops n Hooves in Napier, was suspended for two weeks from 11 May 2003 for not having grant application forms freely available next to its gaming machines.

An Inspector visited the site and found that grant application forms could not be seen anywhere near the gaming machines. He asked for a copy at the bar, and was given one.

The Inspector then spoke to the manager, who said that she had never been advised by Century that forms must be freely available next to the gaming machines.

A warning was given and the Inspector was assured that the licence condition breach would be remedied.

A follow-up visit a month latter found that forms were still not freely available and the site was suspended. The site was displaying a Century Foundation sign stating, “grant forms can be obtained at the bar”. The Foundation has been advised that the sign must be removed.

**Mermaids, Wellington (Southern Trust)**
A Southern Trust site, Mermaids in Wellington, was suspended for two weeks from 6 July 2003.

The site did not have grant application forms available next to its machines and did not have a copy of a current site approval.

When an Inspector went to Mermaids there were no forms next to the machines. Instead, they were in another part of the establishment, which patrons had to pay a fee to enter. When he asked a staff member for a form he was ignored. He spoke to a second staff member who eventually gave him a copy 20 minutes later.

Current site approvals must be displayed publicly as evidence to the public that the site is allowed to operate gaming machines, and explaining which society owns the machines and distributes grants.

**Club Hotel, Pahiatua (Lion Foundation)**
A Lion Foundation site, the Club Hotel in Pahiatua, was suspended for two weeks from 22 April 2003.

The site did not have grant application forms available next to its machines and the Department was concerned about the ability of people under 18 to access the machines.

When an Inspector went to the Club Hotel there were no forms next to the machines, and when he asked for one bar staff queried who he was and why he wanted a form.

The suspension included a directive that the gaming machines must have labels stating “persons under 18 prohibited”, and a sign stating “these gaming machines are not to be played by persons under 18” must be prominently displayed at the entrance to, or in, the gaming area.

**Bluewater Hotel, Napier (Millennium Sports Foundation)**
One of Millennium Sports Foundation’s sites, the Bluewater Hotel in Napier, was suspended for two weeks from 11 May 2003 for not having grant application forms freely available next to its gaming machines.

An Inspector visited the site and found that grant application forms could not be seen anywhere near the gaming machines. He asked for a copy at the bar, and was given one.

The Inspector then spoke to the manager, who said that she had never been advised by Century that forms must be freely available next to the gaming machines.

A warning was given and the Inspector was assured that the licence condition breach would be remedied.

A follow-up visit a month latter found that forms were still not freely available and the site was suspended. The site was displaying a Century Foundation sign stating, “grant forms can be obtained at the bar”. The Foundation has been advised that the sign must be removed.
application forms freely available next to its gaming machines. An Inspector visited the site and found that grant application forms could not be seen anywhere near the gaming machines. He asked for a copy at the bar, was referred to the manager who gave him a form.

The Inspector then explained the licence condition to the manager, who said that she had never been advised by Millennium that forms must be freely available next to the gaming machines. A warning was given and the Inspector was assured that the licence condition breach would be remedied.

A follow-up visit a month later found that forms were still not freely available and the site was suspended.

**Ohakune Hotel, Ohakune Hotel Charity and Sports Foundation**

The Ohakune Hotel had its site approval suspended for two weeks from 15 June 2003. The Hotel did not have grant application forms available next to its machines and did not have any information about problem gambling services. The Hotel manager said that the Foundation had never advised him that these were licence condition requirements.

Licence conditions state that:

“The society shall ensure that applicants can freely pick up forms at sites, by locating the forms in clear public view next to the gaming machines on the site.”

“The society must develop and implement a responsible gambling programme at all sites on which it operates gaming machines. As a minimum, the programme must provide for signage, brochures and publications at each site to encourage gamblers to play at levels they can afford and inform gamblers of counselling and other support services.”

**Gisborne Tatapouri Sports Fishing Club**

The Gisborne Tatapouri Sports Fishing Club was suspended for one week from 15 June 2003. The Department had proposed to suspend the club’s gaming machine licence for six weeks, but after the club made significant changes the Department reduced the suspension to one week. An audit found that the club had added gaming machine equipment, a jackpot system, without applying to have its licence amended. Unauthorised changes to licences have the potential to damage the integrity and fairness of gambling. Without accurate knowledge of what and how much equipment is in use, the sector cannot be effectively regulated.

The Club’s recent gaming machine records were inaccurate and it could not provide some of the necessary documents. This included inaccurate information about gaming machine profits and bankings.

Suspensions summarised in previous issues of *Gambits*:

- Victoria Tavern Sports and Education community Trust, Wellington
- Waitara and Districts Charity Foundation (formerly the Masonic Hotel Sports & Charity Foundation)
- Kaiwaka Sports Association
- Te Puke Club
- Corner Bar, Wellington (New Zealand Community Trust)
- Posties Whistle, Wellington (New Zealand Community Trust)
- Zoo Bar, Wellington (New Zealand Community Trust)
- Bowland, Porirua (Pub Charity)
- Terawhiti Arms, Wellington (Community Grants Foundation)

**Formal warnings given**

The warnings issued during the year related to a wide range of licence condition breaches and have been issued to societies and sites throughout the country. After a formal warning is given, the society has 20 working days to fix any licence breaches identified. If the society can show that it is warranted, the Department may consider giving an extension of time to allow rectification to take place.

All warnings are followed up to ensure that the breaches are fixed to the Department’s satisfaction. If they are not, then the Department can impose a sanction. Any previous licence breaches are also likely to be thoroughly checked again at the society’s next audit.

It is important to note that the Department will impose with the level of enforcement action appropriate to the problem. That is, it will not necessarily issue a formal warning as its first response and can, instead, suspend or cancel a licence, or take court action immediately after an audit or investigation.
Fewer licences issued for all forms of gambling

In the financial year ended 30 June 2003, the Department of Internal Affairs issued fewer licences for all forms of gambling than it did in the previous year.

In addition, the Department oversaw the winding up of 85 gaming machine societies.

Licences issued were:

<table>
<thead>
<tr>
<th>Gambling type</th>
<th>2002-2003</th>
<th>2001-2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gaming machines</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New licences</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>Amendments to existing licences</td>
<td>1,077</td>
<td>1,084</td>
</tr>
<tr>
<td>Renewals of existing licences*</td>
<td>670</td>
<td>719</td>
</tr>
<tr>
<td><strong>Housie, Part I (up to 1,000 cards per session)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New licences</td>
<td>39</td>
<td>44</td>
</tr>
<tr>
<td>Amendments to existing licences</td>
<td>41</td>
<td>62</td>
</tr>
<tr>
<td>Renewals of existing licences*</td>
<td>269</td>
<td>356</td>
</tr>
<tr>
<td><strong>Housie, Part II (up to 200 cards per session)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New licences</td>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>Amendments to existing licences</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Renewals of existing licences*</td>
<td>89</td>
<td>102</td>
</tr>
<tr>
<td><strong>Other games of chance</strong></td>
<td>107</td>
<td>133</td>
</tr>
<tr>
<td><strong>Lotteries</strong></td>
<td>942</td>
<td>992</td>
</tr>
<tr>
<td><strong>Prize competitions</strong></td>
<td>28</td>
<td>33</td>
</tr>
</tbody>
</table>

* Gaming machine and housie licences are valid for one year

**Casino staff**

The Department is also responsible for vetting casino staff for Certificates of Approval (COA). Without a COA, people cannot work in gambling or security related jobs in a casino.

In 2002-2003 the Department issued 608 COAs compared to 441 in the previous year. The increase was due to the opening of Riverside Casino in Hamilton.
The General Manager of the Department’s Gaming and Censorship Regulation Group, Keith Manch, said that at 30 June 2003 there were 699 societies, 2,122 sites and 25,221 machines outside the six casinos. This is a decrease of 16 societies (-2%) and 15 sites (-0.7%), and an increase of 652 machines (+2.6%) in the quarter.

Department of Internal Affairs statistics suggest that a trend has developed, with fewer gaming machine societies, fewer gaming machine sites and a slowed increase in non-casino gaming machine numbers.

Over the last year, the number of societies has steadily decreased from 770 (-9%), the number of sites has decreased by varying rates from 2,153 (-1.4%) and the number of machines increased from 22,113 (+14%), though at a markedly slower rate in the last two quarters.

continues page 11
In recent years gaming machine numbers have been increasing by 4% to 6% a quarter, a trend that continued until December 2002. In the last two quarters the increases have been 0.98% and 2.65%, less than half the previous rates. The average number of machines per site has increased from 10.27 to 11.89 in the year. The tables and line graph on these pages provide details. Considerably more information is on the Department website www.dia.govt.nz – click on “gambling”, then scroll down to “more information” and click on “gaming statistics”. Further information, giving a breakdown of gaming machine numbers by territorial authority will be released as soon as it is available.

Casinos

Following Casino Control Authority (CCA) approval, Riverside Casino in Hamilton added three more gaming tables and 19 gaming machines in the last quarter. There are now 185 tables and 2,560 machines additional to machines in pubs and clubs in New Zealand’s six casinos.

The Responsible Gambling Bill, in its current form before Parliament, prohibits any new casinos opening and the existing casinos expanding their gambling operations.

<table>
<thead>
<tr>
<th>Casino</th>
<th>Tables</th>
<th>Gaming machines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sky City, Auckland</td>
<td>98*</td>
<td>1,417**</td>
</tr>
<tr>
<td>Riverside, Hamilton</td>
<td>23</td>
<td>319***</td>
</tr>
<tr>
<td>Christchurch Casino</td>
<td>35</td>
<td>500</td>
</tr>
<tr>
<td>Sky Alpine, Queenstown</td>
<td>11</td>
<td>70</td>
</tr>
<tr>
<td>Wharf Casino, Queenstown</td>
<td>6</td>
<td>74</td>
</tr>
<tr>
<td>Dunedin Casino</td>
<td>12</td>
<td>180</td>
</tr>
</tbody>
</table>

* The CCA has given Sky City approval for up to 110 tables
** The CCA has given Sky City approval for up to 1,647 gaming machines
*** The CCA has given Riverside approval for up to 339 gaming machines
The Gaming and Lotteries Act requires that grants be made to only what it defines as “authorised purposes”. Each gaming machine society develops its own authorised purposes within the definition, which means that they must:

- benefit the community;
- not result in commercial or personal gain.

This means that grants of gaming machine money cannot be made to professional sport or to individuals.

Professional sport is a commercial venture and should seek commercial sponsorship. Grants to individuals result in personal gain and do not meet the definition of authorised purposes.

For example, motorised sports, including cars, motorcycles and boats, is an area that is unlikely to meet the definition of an authorised purpose. The vehicles are usually owned by either a professional team or an individual and these are not eligible for grants.

This applies to sponsorship and buying equipment, fuel or other materials.

Certainly amateur drivers often have a pit crew or support team, but the vehicle is still owned by a business or an individual and a grant would result in commercial or personal gain and should not be made from gaming machine money.

The rule of thumb for all grants from gaming machine societies, whether they are for sport or other purposes, is that they should benefit the community.

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**Clubs must keep accurate records when prizes are not paid**

It is acceptable for clubs to have a policy that allows only members and signed in guests to play their gaming machines.

Where they do have such a policy, then it is advisable in the interests of player fairness, and to prevent ill will, that they have clear signs at the entrance to their gaming machine rooms stating who can play the machines.

At times the Department receives complaints from gamblers who “won” on gaming machines at clubs, but the clubs did not pay the prizes because the gambler was not a member or signed in guest.

The Department does not get involved in these arguments, they are between the gambler and the club.

However, the Department requires that the club must account for the money correctly.

The club must record such incidents as a non-paid prize. If the machine gives a credit for a prize but the gambler did not receive any money, where did the money go?

A club has a responsibility to its members to accurately monitor and record what happens to money from its gaming machines. If it does not, then its members can be disadvantaged and the Department can impose sanctions on the gaming operation.

Cases like this are good examples of why licence conditions and the *Gaming Machine Operations Manual*, the “Blue Book”, include specified detailed procedures that must be followed and are audited by the Department.
How do we know that we are doing a good job?

One of the difficulties involved in this whole discussion is that it is normally impossible to know what would have happened if circumstances (such as the payment of a donation) had been different. If you take, for example, the situation of a very simple project like a new chiller unit for a marae. A potential benefit of such a project is the reduced chances of a food poisoning emergency. However, it is nearly impossible to quantify a food poisoning event that didn’t happen.

In the absence of other ways of assessing performance Trustees can assess the Trust’s performance, based on their extensive knowledge of the Trust, and the impacts that donations have on the community.

This is a very valid approach. If the Trust is not doing well then it is likely that people in the community will tell Trustees just that. However this approach does pose at least three problems:

• sometimes community groups are loathe to tell funders what they really think, because they are concerned about the consequences;
• sometimes community groups may not be sufficiently critical of funders because they are happy with their own relationship; and
• sometimes community groups do tell funders their concerns, but funders don’t listen to the same.

What does success look like?

Since 1988 the Trust has provided over 19,000 donations totalling $58 million. Have these donations helped achieve the Trust’s mission of supporting and enhancing the region?

Undoubtedly, yes. However, while we know that we have helped support and enhance the greater Waikato community, we do not know by how much. We also don’t know if a smarter Trust could have done things a lot more effectively.

There are a number of reasons why it is difficult to assess the aggregate level of benefit. These include:

• it is difficult to assess benefit from just one donation;
• you don’t know what would have happened if you had done nothing;
• there is no way of combining the impacts of all 19,000 donations to come to a final result.

A study carried out by the Centre for Effective Philanthropy in the United States found that of the 50 Foundations surveyed donation numbers ranged from about 50 a year to over 2,000 a year. However, most Foundations made less than 400 donations a year. All of the foundations in this study had assets several times the size of Trust Waikato.

In terms of staffing numbers the most poorly staffed foundation (in one study of larger foundations) had 1 staff member for every 91 donations. The most well staffed foundation had more than one staff member per donation.

Even with these high staffing levels, 40 percent of the 225 largest foundations in the States reported...
only evaluating about one in four donations. These statistics highlight the difficulty that we have in terms of evaluating performance. We would need to employ another eight or nine staff to even start to get close to the donation/staff ratios that the most poorly staffed Foundations in the States have.

However, even if we had these staff we are still left with the more intractable questions cited above. That is how do you measure benefit, and how can you know what might have happened if nothing had been done, and how do you aggregate this data.

Even when evaluation data is produced it is highly subjective. Research presented at the International Third Sector Research conference held in Cape Town in 2002 showed that there were very few reliable measures of what constituted a successful community group. The research found that depending on who you asked, differing people had very different views as to the effectiveness of groups.

In the absence of hard data on outcomes, most Foundations revert to a number of what could be called busy-ness indicators. For example:

- Number of applications received
- Processing time
- Success ratios
- Efficiency ratios
- Comparative financial performance (with other Foundations).

Trustees will recognise that we keep an eye on a number of these busy-ness indicators ourselves, however whilst these indicators can prove that we are efficient and busy they cannot show that we are effective.

One of the ways around this problem is to collect other information that can serve as a proxy effectiveness measure.

The Centre for Effective Philanthropy has proposed the following measures as being proxy indicative of Foundation success:

- Overall Grantee satisfaction
- Grantee satisfaction in relation to
- Responsiveness, approachability and fairness.
- Grantee’s views as to the level of positive impact the funder has had on their organisation.
- Grantee’s perception of the funder’s contribution to the advancement of the sector.
- Grantee’s perception that the involvement of the funder has helped to bring other funders on board.
- Grantee’s perceptions in terms of the length of grants made and the longer term donation relationship.
- Non-monetary assistance provided to grantees.
- Grantee’s perceptions in relation to the donation process (e.g. the timing, being kept informed, being able to discuss problems with the Foundation).

The Centre argues though that such data should be collected independently of the funder, and should be collected in relation to all funders operating in the region. Independence is considered to be essential, as many groups may not wish to be as honest if they knew that a particular funder might see their responses.

From the work the Centre has undertaken they have highlighted that most Foundations perform absolutely well in relation to the various measures. They suggest though that the real value of such surveys is in the comparisons that can be generated between funders.

Trust Waikato is currently considering a proposal from the University of Waikato to undertake such a study. Such a study will help the Trust to find out whether or not it is truly effective. However, even more importantly an open approach to such a study must have a pay off in terms of the future effectiveness of the Trust.

Further information about effective grant making can be obtained through Philanthropy NZ. Contact: www.philanthropy.org.nz or robyn@philanthropy.org.nz


Useful references held by Philanthropy NZ include:

- Faith, Hope and Information; Assessing a grant application; Dr Diana Leat
- The Insider’s Guide to Grantmaking, Joel J Orosz
- Reflections on Good Grant-making, Tim Cook
While some malfunctions are immediately obvious and are indicated as part of a gaming machine’s self-checking processes by error messages and “lock-ups”, others are not and will only be detected by analysis of machine performance over a period of time. It is emphasized that incidents of this nature are not common.

If the effect of the malfunction was to make a large number of incorrect payments, pointers would be an excessive number of high value cancelled credit payments and/or frequent hopper refills within a relatively short time frame. Common sense and experience might be the first indication that these were outside what would normally be expected, given the random nature of how wins are achieved. Reference to the immediate past cancelled credit payment or refill history would also provide a good indication that something was “not quite right.”

In one of the incidents in question, a gaming machine generated 11 large cancelled credit payments over a two-hour period. Many of these payments were of more than $500, some were over $1,000 and a number occurred within a five to 15 minute period of the previous payment. Once site staff realized that this was abnormal, further payment was withheld until such time as a technician was called in and the fact that a malfunction had occurred was established. It was later found that non-winning combinations were triggering wins.

The Gaming Machine Operations Manual (Blue Book) (Section 3.8) details the action to be taken when faulty gaming equipment comes to notice. It is in everyone’s interests that prompt and appropriate action is taken when serious malfunctions do occur. We would like your help in trialling a form and introducing (where practicable) a “substantial win” feature on gaming machines.

Trialling a form that:
- provides basic guidelines in dealing with events such as these, (as well as player disputes that can result from real or perceived malfunctions) and
- can be used to record essential details to enable the situation to be properly investigated and resolved.

The form, called Equipment Fault/Player Dispute Record, is available on the Department’s website www.dia.govt.nz Go to the home page, click on “gambling”, then “licensing”, then “services”, then “forms”. Alternatively, the form is available more readily and directly by clicking “Online Forms” on the the first page, then “Casino and Non-Casino gaming”. Other Blue Book forms cannot be accessed by this faster method. Gaming Compliance offices in Auckland, Wellington and Christchurch will also be able to provide a hard copy that can be photocopied.

Any comments about the contents or “usability” of the form (favourable or otherwise) should be directed to the Southern Region Gaming Compliance Office, PO Box 1308 for the attention of David Chatwin, Senior Inspector Technical, Telephone (03) 353 8308, Fax (03) 353 8309 or E-Mail david.chatwin@dia.govt.nz). It is intended that following a period of evaluation, the form, or an amended version of it, will be incorporated into the Gaming Machine Operations Manual (“Blue Book”) or its successor.

‘Substantial win’ feature

The Department wants your views about introducing (where practicable) a “substantial win” feature on gaming machines. This could be set at a pre-determined “win” level, for example $200, and when a win of this amount or above was indicated, would cause the machine to “lock-up” and require an attendant to verify the win before payment was made and play could continue. If you have any comments, please contact David Chatwin (contact details at right).
Tolerance of gaming machine discrepancies

The Gaming Machine Operations Manual (Blue Book), in Section 3.1, page 51, states that where a discrepancy of $10 or more occurs in gaming machine recording, it must be investigated with a view to finding the cause.

It goes on to say that $10 is only a nominal benchmark, and even where a variation of less than $10 occurs more than once, it should be investigated.

At that time, there were no bank note acceptors, and consequently a greater number of coins per machine, but on the other hand the maximum number of machines per site was only eight. When $2 “tokenisation” was introduced, the “tolerance” was changed to $10 all up, per machine, which equates to 5 x $2 coins. There were a number of reasons for this, the main one being that while there is little difference in the size and weight of a 20-cent coin and a $2 coin, there is a marked difference in the value.

The question has been raised that since the $10 “tolerance” has been in place for some time now, in view of the substantially greater amounts of money currently passing through gaming machines, shouldn’t it be raised to a higher value? This article explains why the tolerance level will not be raised.

The gaming machine analysis system has its origins in the early 1990s when machines were predominantly of the 20c coin type, where a single coin allowed a single game or “play”. (There were some 10 cent ones and even a few that would accept 10, 20 or 50-cent coins, but the 20-cent denomination was by far the most common).

In those days, the “tolerances” were:
• 50 metered units for hopper variances
• 5 metered units for meter reconciliation discrepancies
• 30 metered units for cashbox variances.

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There are a number of causes of imbalances or discrepancies, ranging from dirty or faulty optics, coins “bouncing” into inaccessible parts of a machine, the odd extra coin “missed”, faulty diverters, hopper adjustment or probe problems (all of which are indicative of maintenance issues); to machines not being cleared properly, errors or carelessness in cash counting or handling; “short” refills and even “light-fingered” staff members testing the system by pocketing a few coins first to see if it gets noticed, before becoming more adventurous.

Of course, the “tolerance” applies not only to coins, but also to bank notes.

However, discrepancies (other than those caused by theft) are less likely to arise with bank notes than coinage because their physical characteristics require less mechanical handling, sophisticated electronic recognition and acceptance facilities are in place, and their automated transfer is only one way, into the machine and never out of it.

Given advances in technology such as coin validators superseding comparators, self-auditing electronic meters, better manufacturing standards and the advent of bank-note acceptors, which has substantially reduced the volume of coin handling, there is probably a case for reducing the nominal “tolerance” level rather than increasing it.

Certainly the “meter reconciliation” area should be “zero” tolerance, but allowance still perhaps continues page 17
Compliance plates

Recent checks by Inspectors carrying out site inspections and audits have revealed several examples of deficient or defective compliance plates. These were not confined to one manufacturer’s products.

Compliance plates must be fitted to gaming machines and certain other items of gaming equipment such as jackpot controllers. They have been mandatory since gaming machines were first legalised in this country.

Their purpose is to provide a “first step” method of assurance that a particular device has been approved for use in the New Zealand jurisdiction and may therefore be legally operated. They can be likened in some respects to the requirement to have registration plates fitted to a motor vehicle.

Machine Specifications, the Australia/New Zealand Gaming Machine National Standards, and the NZ Appendix to the Australian/New Zealand National Standards all apply to compliance plates (or “identification badges” as they are known in Australia), depending upon when the equipment was first approved. There are in addition, specific approval requirements in certain cases.

They must be permanently affixed to the exterior of the equipment in a position that allows them to be easily read. The essential information to be shown on the plate (or plates) is:

- The dealer’s and/or manufacturer’s name
- The name and/or model number of the machine
- A unique serial number
- The date of manufacture
- The approval number assigned by the Department of Internal Affairs.

In relation to the approval number, in the case of the more recently approved gaming machines, it must be expressed in the format Gaming Machine Model No (    )- NZ (Approval Number).

Compliance plates must be fitted to gaming machines and certain other items of gaming equipment such as jackpot controllers. They have been mandatory since gaming machines were first legalised in this country.

Tolerance of gaming machine discrepancies

needs to be made for the incorrect recording of the odd digit or two.

Discrepancies can be likened to canaries in mine shafts and should ideally be followed up in every case. When you are talking about a machine potentially handling thousands of dollars daily, a small problem ignored can rapidly become a large one and any early indication of trouble should be seen as a bonus, not an imposition.

However, no matter how reliable the device or the staff servicing it, the odd “inexplicable” anomaly or discrepancy is almost inevitable, which is why “tolerances” were set in the first place.

Jackpot devices, because of the sensitivity and volatility of the equipment, are assigned far lower tolerances levels than are gaming machines.

The checks, balances and “troubleshooting” requirements for these are, in part, incorporated into the instructions for completing individual records, and in part described in sections 2.9.9 to 2.9.12 of the Gaming Machine Operations Manual.
Compliance plates

Licence Conditions 22 (Set A) and 27 (Set B) require societies to ensure that:
“...each item of gaming machine equipment has an approved compliance plate affixed and that the manufacturer’s serial number is accessible and legible.”

In the case of gaming machines, compliance plates are generally fixed to the right hand side of the cabinet.

This leads to another problem encountered by Inspectors from time to time in that the placement of machines within gaming areas is such that one or more machines are hard up against a wall or other structure, or that machines are so closely packed together, that it is difficult or even impossible to readily sight compliance plate details. This could be avoided if the requirements of this Licence Condition were taken into account when planning or changing the layout of gaming areas, or installing equipment.

Societies should be aware that concerns about compliance plates, as with other non-compliance issues, can lead to directions for machines or equipment to be immediately switched off. There may also be cause for gaming equipment to be removed for testing if the circumstances give rise to serious doubts about the equipment’s integrity.

Societies should also note that in terms of the Responsible Gambling Bill, they will be required to notify the Department of all gaming machines lawfully operated on each of their venues; and that those details must include the serial number and model of each individual gaming machine. It would be opportune to check now that compliance plates are fitted wherever required, and that all of the details (not just the serial and model numbers) are clear, legible and have not been tampered with or subjected to unauthorised alterations.

Gaming machine societies can be listed on FundView website

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 grant-maker.

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 (94) 472 5367, e-mail cathi@fis.org.nz. Web: www.fis.org.nz
General Manager, Gaming and Censorship Regulation Group (GCR), Keith Manch.

GCR is the business group within the Department of Internal Affairs whose role is to bring about compliance with New Zealand’s gambling and censorship laws. There is no direct policy connection between gambling and censorship, but they are the only two enforcement functions that the Department carries out and are grouped under one general manager.

National Manager Gaming Licensing and Compliance, Greg Crott

A team in Wellington issues all licences for non-casino gaming activities, including prize competitions, housie, lotteries and other games of chance. Inspectors based in Auckland, Wellington and Christchurch conduct audits of gaming machine societies and other kinds of gaming, including instant games, housie, lotteries, prize competitions and licensed promoters. Staff investigate complaints from the public and in some cases instigate prosecutions.

- Manager Gaming Licensing, Gavin Duffy
- Manager Gaming Compliance Auckland, Geoff Lawry
- Manager Gaming Compliance Wellington, Adrian Straayer
- Manager Gaming Compliance Christchurch, Kevin Owen

National Manager Casino Supervision and Inspection, Ross Savage

Casino Supervision and Inspection is responsible for inspecting and monitoring casinos. It conducts compliance audits, ensures on-going suitability of certificate of approval holders, investigates incidents and patron complaints and ensures that casinos comply with the Casino Control Act.

Manager Gaming Operational Policy, Kate Reid

Gaming Operational Policy has responsibility for contributing to policy development in the gaming sector generally, the development of licence conditions and providing operational policy support and advice to GCR’s operational units and the General Manager. The unit also includes technical advisors responsible for the setting of standards and testing requirements relating to the approval and operation of gaming machine equipment and expert advice on technical issues and investigations. The scrutiny requirements under the Gaming & Lotteries Act for Lotteries Commission products are also included.

National Manager Censorship Compliance, Steve O’Brien

Censorship Compliance is responsible for inspections of videos, films, books and magazines, and electronic media sites under the Films, Videos and Publications Classification Act 1993. It investigates public complaints, issues official warnings and instigates prosecutions where necessary.

Manager Strategic Business Support and Development, Peter Burke

Strategic Business Support and Development is responsible for providing and/or co-ordinating strategic, business development and day-to-day support for business units and the General Manager. This unit also includes business development projects such as those related to the implementation of the Responsible Gambling Bill.
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.

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 Vincent Cholewa, ph: (04) 495 9350 or 025 272 4270, e-mail: vincent.cholewa@dia.govt.nz