

The Gaming Board: Better Regulation



Report by the
Comptroller and Auditor General

The Gaming Board: Better Regulation

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National Audit Office
30 May 2000

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Executive summary

1 The Gaming Board for Great Britain was established by the Gaming Act 1968 and is the regulatory authority for casinos, bingo clubs, gaming machine suppliers, the larger society and all local authority lotteries in England, Scotland and Wales. The industry which the Board regulates is substantial, involving stake money of over £11 billion in 1998-99.

2 The purpose of this report is to consider the scope for improving the Board's regulatory functions by the application of the principles in Modernising Government (Cm 4310 of March 1999), by:

- removing unnecessary regulation and relying more on the regulatory and compliance systems of the gaming industry; and
- in the spirit of achieving "joined-up government", making use of relevant information already collected by other public bodies such as HM Customs and Excise.

Better inspections

3 The main objectives of the Gaming Act 1968 are to keep gaming free of criminal activity and to ensure that it is fairly and properly conducted. To meet these objectives, the Gaming Board thoroughly investigates those seeking to enter the gaming industry and monitors operations once certificated and licensed. Monitoring is centred around a minimum number of regular inspection visits to operators by the Board's Inspectors. Our survey of the gaming industry found widespread satisfaction with the conduct and work of the Inspectors and 75 per cent of respondents considered that the visits encouraged compliance with gaming legislation. In recent years inspections have not produced any evidence of serious breaches of gaming legislation, and the Board believes that licensed gaming operations are now largely free from criminal involvement.

4 The regular inspections are not determined by any formal, systematic assessment of risk and our examination of a sample of records relating to Inspector visits to casinos and bingo clubs suggests that the minimum number of inspection visits is generally exceeded. Since the mid 1990s, the Gaming Board has been supplementing the regular inspections of casinos with more focused inspections,

for example, “thematic” inspections examining identified areas of risk; and “head office” inspections that reflect the concentration of casino ownership in a few large companies.

5 We examined the computerised records of over 1,000 inspections of casinos and bingo clubs, nearly a quarter of all inspections in 1998-99. The majority of records contained little evidence of the results of the inspection other than an indication of the topics covered. There was also a lack of consistency in indicating whether a written report was produced following the visit or whether oral advice was provided. We have made a number of suggestions as to how the records might be improved.

6 In 1998-99, the Gaming Board spent around £1 million – a third of its budget – in carrying out nearly 4,800 inspections. The Board has not been able to produce measures to determine the efficiency and effectiveness with which this work is carried out and we have provided it with possible examples for consideration.

7 The Gaming Board has traditionally recruited its Inspectors from former senior police officers who have reached the minimum retirement age. It recognises that it needs to recruit people with a wider range of skills and experience but the salary levels it can offer are often an obstacle to recruiting candidates of the right calibre.

Better certification and registration

8 The Gaming Board’s regulatory framework includes a system of certification and registration for those who wish to provide gaming, take up certain employment in the gaming industry and provide larger society and local authority lotteries. There are six different types of Certificate of Approval for employment in the gaming industry, depending on the nature of the work and the seniority of the position held.

9 The Gaming Board asks the police to check whether new applicants for its certificates and for the registration of lotteries have a criminal record. The planned establishment of the Criminal Records Bureau will allow an individual to apply for their own “criminal conviction certificate” for employment and related services. This, together with the improved compliance systems now operating in the larger gaming companies, provides the Board with the opportunity to consider the extent to which certification of employees could be carried out by the industry,

although legislative changes would be needed before employees could issue certificates. The Board might also consider the scope for rationalising the number of different types of certificate.

10 The Gaming Board's performance targets for its certification and registration work relate to the speed with which applications are processed. The Board believes that these are demanding targets but they have remained largely unchanged since the early 1990s. In a significant minority of cases the targets are not achieved, partly because of the need to wait for police reports on the applicants. From the data available, we were unable to confirm the Board's reported performance against the targets for issuing Certificates of Approval needed for certain posts in the casino and bingo industries.

Working with others

11 We found that contact between the regulatory staff of the Gaming Board and HM Customs and Excise – who collect gaming duty – was largely dependent on individual initiatives at local and national level. We set up a joint meeting with representatives of the two bodies to explore the scope for closer working and sharing of information and they have now formed a working group to take this forward.

12 The Gaming Board is not a prosecuting authority and therefore must pass information on unlawful gaming activity to the police or local authority to initiate action through the courts. Whilst there have been some examples of fruitful co-operation, in the Board's experience both the police and the local authorities usually do little with the information because of other, more pressing priorities.

13 Many major casino and bingo operators now have compliance departments which carry out self regulation to some extent, not only for internal purposes but to protect their gaming licences, the loss of which could have major consequences for them. The Board told us that it had begun to take account of the compliance work carried out by the major companies when planning its own work, but compliance departments in the industry were a relatively recent development and many were unwilling to share their findings.

14 The Gaming Board has made contact with a number of organisations for the purpose of intelligence gathering, for example, the Joint Action Group on Organised Crime but, as yet, arrangements for the routine exchange of information have not been established. The Board would like to develop links with the regulatory arms of the Stock Exchange, the Financial Services Authority and the Institute of Chartered Accountants in England and Wales. However, the

provisions of the Financial Services Act 1986 do not permit the Board to receive information obtained by these organisations as part of their regulatory functions. The Board has been working on a database for storing intelligence data and this came into use in May 2000.

Recovering costs

15 The Gaming Board is required to recover its costs and the related costs of the Home Office, licensing justices and police authorities from the fees levied on the gaming industry. We reviewed the position for the five financial years 1994 to 1999. Whilst the papers we examined were incomplete, the Board agreed that there had been an under recovery of costs in the region of £1.3 million.

16 The Gaming Board's fees include an element for the related costs of the police and the courts. These costs are provided by the Home Office based on an organisation and methods work study carried out in 1983, increased in line with inflation. After some 16 years, the basis of these costs is long overdue for re-examination.

17 Over the years, the Gaming Board has recovered more than the full cost of regulating casino gaming and less for the machine, bingo and lottery sectors of the gaming industry. This is contrary to Treasury guidance that (subject to the relevant statutory provision) each statutory service should normally be treated separately and the fees set to recover the full cost of each one.

Recommendations

18 Over the last few years, the Gaming Board has been responsive to the need for change in a number of areas, for example, the introduction of more focussed inspections. We have made 26 recommendations designed to help the Board continue this process, including four for the Home Office to pursue. The full list is at Appendix 1. In particular, we recommend that the Board should:

on better inspections:

- develop more formal, systematic techniques for assessing risk in the different sectors of the gaming industry;

- in deciding on the frequency of regular inspections, take into account, for example, the outcome of all previous inspections, the results of the operator's own compliance activities and the quality and experience of the operator's management and staff;
- improve the computerised records of inspection visits so that they can help inform management's assessment of risk and the frequency of future inspections;
- consider the suitability of the measures identified by the National Audit Office for determining the Inspectorate's effectiveness in achieving its key objectives; and
- in conjunction with the Home Office, consider what package of measures might be offered to attract recruits with the information technology and accountancy skills the Board considers are needed.

on better certification and registration:

- review the adequacy of current measures for determining performance against targets for certification and registration work, including the reporting of results;
- take the opportunity presented by the setting up of the Criminal Records Bureau to review the applicants for whom a police report remains essential and the level of information required;
- consider the scope for rationalising the certification of employees in the gaming industry; and
- consider the scope for licensing the major gaming companies to issue gaming certificates to their employees.

on working with others:

- build on the closer working relations established with HM Customs and Excise, formalising the mutual exchange of relevant information and identifying any lessons to be learnt from the use of risk assessment by HM Customs and Excise;

- record details of cases where information on unlawful gaming is passed to the police or local authorities and no action is taken, and bring any emerging patterns to the attention of the Home Office, the Association of Chief Police Officers and the Department of the Environment, Transport and the Regions as necessary;
- continue its endeavours to make use of the compliance activities of the gaming industry to help direct and, where appropriate, reduce its own compliance effort; and
- where the mutual exchange of relevant information is prevented by legal or other barriers, discuss possible remedial action with the Home Office.

on costs:

- agree with the Home Office and the Treasury a timetable for eliminating the deficit on fees and the subsidisation of the other gaming sectors by the casino industry; and
- in conjunction with the Home Office and the Lord Chancellor's Department where appropriate, review the basis on which police and court costs are estimated, so that the Gaming Board's fee arrangements can be put on a firmer footing.

Part 1: Introduction

Background

1.1 The Gaming Board for Great Britain is the regulatory authority for casinos, bingo clubs, gaming machine suppliers, the larger society and all local authority lotteries in England, Scotland and Wales. The industry which the Board regulates is a substantial one, involving stake money of over £11 billion a year (Figure 1(a)).

Figure 1(a)

Gaming regulated by the Gaming Board

Gaming sector	1997-98		1998-99	
	Numbers	Stakes (£m)	Numbers	Stakes (£m)
Casinos	115	2,720	116	2,669
Bingo clubs	782	1,019	751	1,041
Gaming machines ¹	250,000	7,800	250,000	7,800
Registered societies and local authorities that run lotteries	623	125	634	161
		11,664		11,671

Note: 1. Based on estimates by BACTA (the trade association for the coin operated amusement machines industry)

Source: Gaming Board Annual Reports 1997-98 and 1998-99

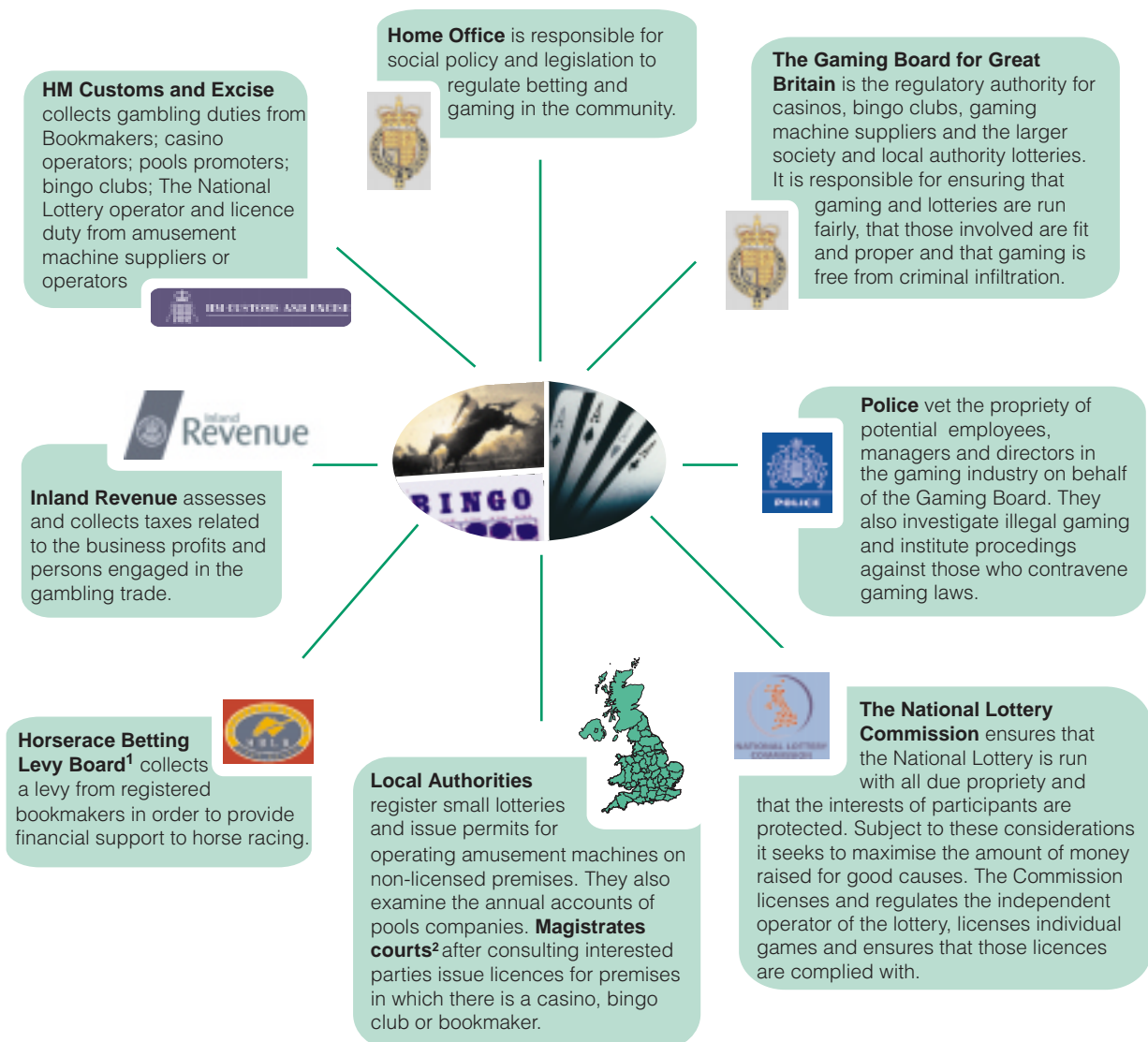
1.2 Before the 1960s, no legal casinos or bingo clubs existed in Great Britain. The Betting and Gaming Act 1960 permitted gaming to be carried out as an activity of a club and large numbers sprang up as a result. The new law was unclear and proved difficult to enforce. There were parliamentary and public concerns that gamblers were being exploited and that criminals were active in casino operations. The Betting, Gaming and Lotteries Act 1963 sought to address these problems but was not fully effective. The Gaming Act 1968 introduced the present regulatory framework for the gaming industry and established the Gaming Board as the regulatory authority. Under the Act, those wishing to apply for a licence to provide gaming, supply gaming machines or take up certain employment in the gaming industry must first be certified by the Board.

1.3 The Lotteries and Amusements Act 1976 extended the Gaming Board's responsibilities to larger society and local authority lotteries, which have to be registered with the Board. The Board does not regulate the National Lottery which

is the responsibility of the National Lottery Commission. Other agencies, apart from the Gaming Board, that play a significant part in the operation of the gambling industry are shown in Figure 1(b).

Figure 1(b)

The responsibilities of the main public sector bodies with a role in the activities of the gambling industry



Notes: 1. The Home Office announced on 2 March 2000 that the Board and levy are to be abolished
2. Licensing Committee of the local authority in Scotland

Source: National Audit Office

Objectives and powers

1.4 The objectives of the Gaming Board are:

- to ensure that gaming and lotteries are run fairly and in accordance with the law;
- to ensure that those involved in organising gaming and lotteries are fit and proper to do so and to keep gaming free from crime; and
- to advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.

1.5 The Gaming Board regulates the licensed and registered industry. It does not have the authority or the resources to seek out and deal with unlicensed, illegal or problem gambling. However, under the 1968 Act, the Board has a duty to keep under review the extent and character of gaming in Great Britain, and the extent, character and location of gaming facilities licensed under the Act. It therefore takes account of any evidence of illegal or problem gambling and collaborates with the police where required. The Board's main functions and powers are summarised in Appendix 2.

Organisation and funding

1.6 The Gaming Board is a non-departmental public body with a part-time chairman and four other part-time members, appointed by the Home Secretary. The Board is served by a Secretariat of about 37 civil servants seconded from the Home Office, who provide policy advice, process applications for the Board's certificates and registration, and provide management services and finance functions. It also has an Inspectorate of about 36 staff who visit casinos, bingo clubs, machine suppliers and lottery organisers to monitor compliance with gaming regulations. The Board's headquarters is in central London but the Inspectorate operates from regional offices in London, Bristol, Nottingham, Manchester and Glasgow.

1.7 The Gaming Board is financed by a grant-in-aid from the Home Office, amounting to £3.4 million in 1999-2000. It charges fees for the issue of certificates and the registration of lotteries. These, together with licence fees collected by magistrates' courts, are intended to recover the Board's costs and the associated costs of licensing justices, police authorities and the Home Office. The Board does

not retain its fees, which are paid over to the Home Office as appropriations in aid. The licence fees collected by the magistrates' courts are paid over to the Lord Chancellor's Department for surrender to the Consolidated Fund.

Developments in the gaming industry

1.8 Parliament incorporated into the Gaming Act 1968 strict controls designed to “clean up gaming and contain it”¹ and so permit “the establishment of gaming clubs and bingo halls of the highest standards, run by people with the highest bona fides”². In the intervening 30 years or so there have been considerable changes in the size and ownership of the gaming industry. In 1968 there were about 1,500 casinos, most of which were small, single site operations with fairly basic administration and control. There are now about 120, most of which are operated by listed, public limited companies with extensive interests across a variety of leisure industries. Thirty five per cent of bingo clubs are now owned by the two largest bingo operators: Rank Entertainment Limited and Gala Clubs. Some of the larger casino and bingo companies have sophisticated compliance functions which provide a form of self regulation, although the Gaming Board is doubtful of the extent to which these focus on the requirements of gaming legislation. Social attitudes to gambling have also changed, particularly with the introduction in 1994 of the National Lottery. And gambling in Great Britain is now a much more integral part of the leisure industry than it was in the past. The most recent development has been gambling on the Internet for which, given the age of the principal gaming Acts, the Board believes that there is no adequate legislative provision.

Review of gambling legislation

1.9 Legislation places a variety of restrictions on gambling in Great Britain and Figure 1(c) provides examples of those affecting casino, bingo and machine gaming, and larger society and local authority lotteries. The Home Office, in consultation with the Gaming Board and the gaming industry, has been considering the scope for deregulation of controls. Orders, made under the Deregulation and Contracting Out Act 1994, have provided for some relaxation including: permitting the use of debit cards; removing all restrictions on bingo advertising; and reducing the waiting period before new members of casinos may

1 Home Secretary, James Callaghan MP, Hansard Col 68, 11.6.68

2 Antony Buck MP, Hansard Col 54, 11.6.68

game, from 48 to 24 hours. Further deregulation took place in August 1999, including permitting limited advertising of casinos and allowing an increase in the number of jackpot machines in casinos, from six to 10.

Examples of legal restrictions on casino, bingo and machine gaming, and larger society and local authority lotteries

Figure 1(c)

Casino gaming

- Casinos may only offer games specified in regulations made under the Gaming Act 1968.
- The odds on the games are fixed by law.
- Casinos must operate as clubs with a waiting period of 24 hours before new members may game.
- No-one under 18 years of age may enter a casino.
- Casinos cannot offer credit facilities to members.
- The number of gaming machines in a casino is limited to 10, offering a jackpot of up to £1,000.
- Casino opening hours are limited.
- Casino advertising is limited.
- Alcohol must be served in separate areas and may not be taken on to the gaming floor.
- Staff must not accept gratuities or fraternise with customers.

Bingo gaming

- Bingo must be played in clubs, with membership rules. Parliamentary regulations lay down various monetary limits, for example, relating to prize bingo stakes and prizes, and requirements for informing customers of charges.
- No-one under 18 years of age may play bingo in a licensed bingo club.
- Bingo clubs cannot offer credit facilities to members.

Machine gaming

- Club or jackpot machines are restricted to maximum prizes of £1,000 in casinos, £500 in bingo clubs and £250 in other clubs.
- “All cash” amusement with prizes machines, with a maximum prize of £15, must be located in adult environments such as public houses, licensed betting offices, bingo clubs and adult amusement arcades.
- Cash/token amusement with prizes machines, with maximum prizes of £8 non-cash and £5 cash, may be located in registered premises such as family arcades and cafes to which children have access.
- Gaming machines cannot be supplied to operators on a profit-sharing basis, but must be on a fixed rental or sold to them.

Lottery gaming

- There are limits on the level of prizes, expenses and the total value of tickets sold.
- A minimum of 20 per cent of the lottery proceeds must go to a good cause.
- Lottery organisers must submit returns and receipts to the Gaming Board, and audited accounts if proceeds exceed certain levels.

Source: The Gaming Board

1.10 For some time, the Gaming Board has been calling for a review of gambling legislation on the grounds that the current legislation is not designed to reflect the highly sophisticated, high tech industries it now has to deal with, or the shift in social attitudes to gambling since the legislation was enacted. The Board considers

that, whilst deregulation has allowed some limited easing of outdated controls, piecemeal amendment has complicated the legislation, highlighted inadequacies and left inconsistencies. It believes that a thorough, independent review is now required. The Deregulation Committees of both Houses of Parliament have expressed similar views.

1.11 In December 1999, the Government announced that a wide-ranging review of gambling law would begin in 2000 and report within 12 months (Appendix 7). The Government said that there was now a good case for a review since much of the current legislation was over 30 years old. Social attitudes had changed and the law was fast being overtaken by technological developments. The Government also wanted to get rid of unnecessary burdens on business, while maintaining protections necessary in the public interest.

Scope of the National Audit Office study

1.12 In March 1999, the Government published its long-term programme “for improving the quality of public services” so that they are “responsive to citizens’ needs”, provide “the best value possible” and can be shown to “give a good deal to the taxpayer” (Cm 4310). Against this background, we examined:

- how the Gaming Board regulates the licensed gaming industry and registered lotteries (Part 2);
- how the Gaming Board ensures that those involved in gaming and lotteries are fit and proper to do so (Part 3);
- how the Gaming Board works with other organisations to ensure that gaming and lottery legislation is observed (Part 4); and
- whether the Gaming Board sets fees at a level to recover the costs of regulating the industry (Part 5).

1.13 At the same time as our study on the Gaming Board, we also separately examined the collection of betting and gaming duty by HM Customs and Excise and our report to Parliament was published on 30 March 2000 (HC 352). This report on the Gaming Board includes reference to the scope our parallel studies have identified for increased co-operation between the two departments, to take assurance from each other’s work, to share good practice and to reduce the burden on business.

Methodology

1.14 In carrying out this study, we:

- interviewed the staff of the Gaming Board’s Secretariat, reviewed its management information, and examined a cross-section of casework;
- visited all five of the Gaming Board’s regional offices for discussions with Inspectors and to examine their records of inspection visits;
- conducted a survey of operators in the gaming industry for their views on how the Gaming Board’s Inspectorate carries out its regulatory functions;
- reviewed the Gaming Board’s internal costing system for the calculation of fees, and consulted the Lord Chancellor’s Department and some licensing officers in the police and magistrates’ courts to obtain estimates of the staff resources devoted to gaming licensing;
- sought the views of a number of third parties involved in the gaming industry, including trade associations, a selection of firms in each sector and academics and charities with an interest in gaming or lottery issues; and
- consulted five overseas regulators of gaming (in the Netherlands, Slovenia, Sweden, Switzerland and Australia) for information on their responsibilities, funding, staffing, operation and performance measures.

Appendix 3 sets out our methodology in more detail.

1.15 In 1998, the Government set up the Better Regulation Task Force “to advise the Government on action which improves the effectiveness and credibility of government regulation by ensuring it is necessary, fair and affordable and simple to understand and administer, taking particular account of the needs of small business and ordinary people”. The Task Force identified five principles which good regulation should satisfy. In carrying out our examination, we compared the Gaming Board’s performance against these principles (Appendix 6).

Part 2: Better inspections

2.1 The Gaming Board’s Inspectors visit licensed gaming establishments and registered lotteries to ensure that gaming and lottery legislation is being observed. The industry they inspect, and the environment in which they operate, has changed considerably in the 30 years or so since the Board was established. Gaming is now regarded as a mainstream industry and the Board considers that licensed gaming operations are now largely free from criminal involvement. The casino industry, in particular, is considerably smaller with ownership concentrated in a few public limited companies with their own audit, security and compliance departments. The introduction in 1994 of the National Lottery has liberalised social attitudes to gambling, and this has been reflected in government deregulation of some gambling restrictions with more relaxation likely in the future.

2.2 This part of the report considers how the Gaming Board might adapt and improve its inspection functions in the light of these changes. In particular, it examines:

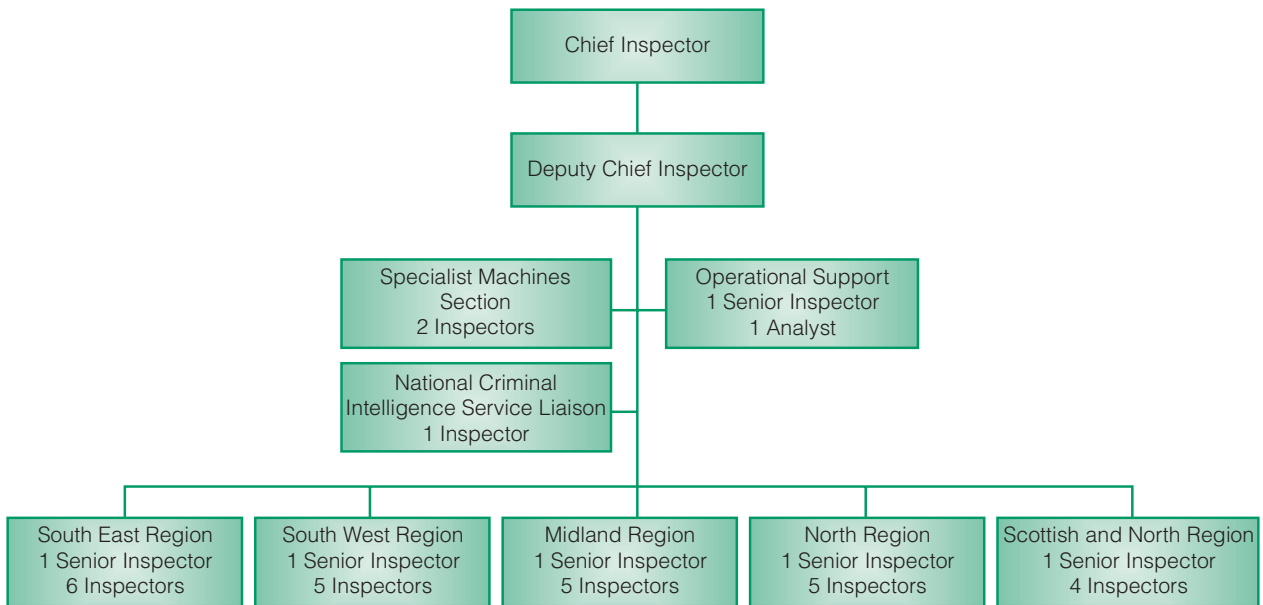
- the use of risk assessment to target inspections;
- the recording of the results of inspections;
- inspection targets and performance measures; and
- the recruitment of Inspectors.

The Inspectorate

2.3 The Gaming Board’s Inspectorate is responsible for: monitoring gaming establishments, gaming machine suppliers and lotteries; investigating and reporting on applicants for the Board’s certificates; and advising and assisting the Board, the police and other government bodies in the enforcement of gaming legislation. The Inspectorate has 36 Inspectors of various grades to carry out this work deployed as shown in Figure 2(a).

Figure 2(a)

Organisation and staffing of the Gaming Board's Inspectorate



- Notes:
1. The Chief Inspector and his deputy are based in the Gaming Board's London headquarters.
 2. The Inspectors in the Specialist Machines Section provide advice and guidance to the industry on technical and legal matters, and work largely from home.
 3. The Inspector in Operational Support is responsible for recruitment, training and intelligence work and is based in the Gaming Board's London headquarters.
 4. The Inspector responsible for liaison with the National Criminal Intelligence Service is based in the Service's London headquarters. The Service provides, amongst other things, a 24 hour facility to search its intelligence database on serious and organised crime.
 5. Inspectors are responsible for all inspection work in their area working largely from home but reporting to a Senior Inspector based in a regional office.

Source: The Gaming Board

Inspections

Findings

Since 1970, the Gaming Board's monitoring of the gaming industry has centred around regular inspection visits to individual operations. The frequency of the visits is not determined by any formal, systematic assessment of risk and has remained largely unchanged until the second half of the 1990s. Since then, the Board has begun to supplement its regular inspections with more focused examinations. So far, these have been largely confined to the casino industry which the Board regards as the greatest area of risk.

Regular inspections

2.4 The main objectives of the Gaming Act 1968 were to purge gaming of criminal activity and to ensure that it was fairly and properly conducted. To meet these objectives, the Gaming Board based its monitoring of the gaming industry around regular inspection visits to licensed gaming establishments by its Inspectors. The initial size of the Inspectorate was largely determined by the Board's decision that all casinos should be routinely inspected at least 12 times a year, bingo clubs three times a year and gaming machine suppliers once every other year. In 1976, when the Board's regulatory responsibilities were extended to larger society and local authority lotteries, it decided that each Inspector should routinely inspect one society a year. The Gaming Board was unable to provide us with documentation to show how it had determined the frequency of regular inspections but said that the focus on casinos reflected the widespread view that they represented the greatest area of risk.

2.5 In 1978, the Royal Commission on gambling reported (Cmnd 7200) that:

“The gaming scene is now very different and it has in almost every respect improved since the time when public and parliamentary concern led to the passing of the Gaming Act and the establishment of the Gaming Board. The Board has been particularly successful in dealing with casinos in which, before the Act, the criminal threat was perceived to be the greatest.”

2.6 The Royal Commission considered that the gaming industry had changed so markedly that, in future, the Gaming Board's role would “have to change and develop somewhat away from the crime busting one with which it now tends to be identified”. However, the Board's approach and the frequency of inspections remained largely unchanged over the next two decades and it was not until the second half of the 1990s that it began systematically to reappraise its historical approach to inspection. In 1996, the Board increased the minimum number of annual inspections of London casinos to 17 but followed this up two years later by reducing the number of inspections of bingo clubs, machine suppliers and lotteries (Figure 2(b)).

Figure 2(b)

Regular inspections of the licensed gaming industry and registered lotteries

Gaming sector

Frequency of inspections

Casinos

Regular inspections of casinos involve an examination of one or more of the items in the checklist at Appendix 5.

From 1970 to 1996, each casino was required to be visited at least once a month.

Inspectors are required to cover all the areas in the checklist over a twelve-month period.

From 1996, the minimum number of inspections of London casinos was increased to 17 a year.

Inspections usually last around 2½ to 3 hours.

Bingo clubs

Regular inspections of bingo clubs cover selected items in the checklist at Appendix 5.

From 1970 to 1998, each bingo club was required to be visited at least three times a year.

Inspectors are required to cover all the areas in the checklist over a period of time.

From 1998, this was reduced to once a year, with discretion to target weaker clubs.

Inspections usually last around 2 to 2½ hours.

Gaming machine suppliers

Inspectors use standard checklists for their inspections of gaming machine suppliers. The inspections are designed to ensure that the supplier remains a fit and proper person to supply machines, runs a bona fide business and maintains adequate systems and records.

From 1970 to 1998, each gaming machine supplier was required to be visited at least once every other year.

From 1998, this was reduced to a minimum of twice every five years.

Inspections usually last around 2 hours.

Lotteries

Inspectors use a standard checklist for their inspections of lotteries, supplemented by a brief from the Gaming Board's Secretariat on any areas of particular risk that have come to its attention. The inspections are designed to ensure that the lotteries comply with legislation, that the systems for ticket sales and sale receipts are secure, that returns submitted to the Board agree with the society's records and that the correct amount has been paid to the lottery beneficiary.

From 1976 to 1997, each Inspector inspected a minimum of one society a year.

From 1997, this was reduced to one inspection per Inspectorate region (that is a minimum of five inspections).

Inspections usually last around 7 days by 2 Inspectors.

- Notes: 1. All regular inspections of casinos and bingo clubs are unannounced.
2. The Gaming Board reviews the standard checklists from time to time to ensure that they are up to date.

Source: The Gaming Board

2.7 The Inspectorate will make additional inspection visits to gaming establishments and lotteries if it has concerns about the way they are being run. In our sample of records in four of the Inspectorate’s five regions, the average number of Inspector visits to individual casinos in 1998-99 ranged from 18 to 26 with an overall average of 21 (Figure 2(c)). This compares with the recommended minimum of 12 regular inspection visits for casinos outside London, and 17 for London casinos. Within these averages, the number of Inspector visits to individual casinos ranged from a low of 14 to a high of 42. In our sample of Inspectorate records relating to bingo clubs, the average number of Inspector visits in 1998-99 was four, compared with a minimum laid down of one.

Figure 2(c) Number of Inspector visits to casinos in 1998-99

	Region				Average
	South East	South West	Northern	Scottish	
Number of visits in our sample of casinos	130	197	99	71	
Average number of visits to individual casinos in year	20	26	18	19	21
Range of number of visits to individual casinos	16-24	17-42	14-22	15-30	

Note: Our sample of Inspectorate records did not always state clearly whether the purpose of the visit was a regular inspection or for some other reason. Also, the sampled records did not always cover a full inspection year. Therefore an adjustment has been made to the “average number of visits to individual casinos in year” to provide an average over a 365 day period.

Source: National Audit Office analysis of records of 497 visits to 32 casinos by Inspectors in four of the Gaming Board’s regional offices

2.8 Because of the varying quality of the Inspectorate’s computerised records it was not always possible to determine exactly the extent to which visits above the minimum laid down were part of the regular inspection process or for some other purpose. Inspectors may visit operators for a variety of reasons, for example, in connection with an application to modify premises or in respect of enquiries about the Gaming Board’s certificates (paragraph 1.6). We found that casinos visited above the minimum laid down included both those owned by major public limited companies and those owned by smaller operators whose internal control arrangements, by comparison, were likely to be less sophisticated.

2.9 Most of the respondents to our survey (72 per cent) were against any increase in the present level of regular inspection visits. Typical comments included:

“We have had 17 visits in 12 months (one every 3 weeks) that should be enough.” *(a casino)*

“As long as I have someone to contact for advice, I think two or three visits a year is quite sufficient.” *(a bingo club)*

“In most cases visits are only needed now and again unless problems arise.” *(a bingo club)*

Risk assessment

2.10 The Inspectorate does not carry out any formal, systematic risk assessment of individual operators before the start of the inspection cycle to determine the level and frequency of the inspection required. Whilst the number of inspections to an individual operator may be increased if the Inspectorate has evidence of weaknesses, it is not reduced if they have a consistent history of compliance. The Gaming Board told us that over the last three years it had been categorising operators according to risk, based on individual Inspectors’ local knowledge and their intuitive assessment of risk. We consider that the criteria used to inform the risk assessment of casinos and bingo clubs, which absorb the majority of the Inspectorate’s compliance effort should, as a minimum, include the factors set out in Figure 2(d). The operator could be scored against each factor and the scores used to help determine the risk assessment.

Risk assessment to inform frequency and level of regular inspections of casinos and bingo clubs

Figure 2(d)

The risk assessment should include consideration of:

- the results of previous inspections;
- the results of the operator’s own regulatory activities where these are available;
- any significant changes in operating turnover;
- any changes in ownership or key personnel;
- the experience and quality of the operator’s existing management;
- whether any employees had recently had their certificates of approval withdrawn because of, for example, collusion with players, involvement with drugs, theft from employers; and
- whether the operator has received an independent assessment of management quality, for example, Investors in People accreditation.

Focused inspections

2.11 The Gaming Board began supplementing regular inspections with more focused inspections of operators with the introduction, in the 1980s, of “**major reviews**” of casinos. The Board intended these to be in-depth examinations of casinos by a team of Inspectors where there was clear evidence of lack of compliance or concerns about the operator’s management or procedures. By the mid 1990s, however, hardly any major reviews had taken place, largely because very few casinos had been subject to seriously adverse reports by Inspectors. The lack of major reviews prompted the Board to increase the number of regular inspections of London casinos from 12 to 17 a year (Figure 2(b)). In April 1997, the Gaming Board introduced, on a pilot basis, “major reviews” under which all casinos would be subject to an in-depth examination every five years as a minimum, but more often if required. Appendix 5 details the areas covered by major reviews.



2.12 The Inspectorate’s internal report – The Need for Change – produced in April 1998 considered that the gaming industry had modernised considerably over the last 30 years whereas the Inspectorate had remained “significantly tied to its culture, administration and practices of the 1970s”. Much of this modernisation, the report considered, was due to the increased involvement in gaming of large, national, public limited companies with a strong vested interest in a stable, well run industry.

2.13 The Inspectorate considered that the high priority operators now placed on compliance with gaming regulations called into question its traditional approach of regular visits to individual clubs. It favoured, instead, shifting the balance of effort to identified areas of risk, to which suitable resources and skills could be applied. The Inspectorate recommended exploring the value of “**thematic inspections**” focusing on specific themes across a number of casinos, for example, controls against money laundering. It also favoured the introduction of “**head office inspections**” where central records of casino operators could be examined.

2.14 In May 1998, the Gaming Board commissioned external consultants to examine the Inspectorate’s methodology and operating procedures and they reported in October 1998. Like the Royal Commission before them in 1978, the consultants found that the Gaming Board was largely perceived as a crime-busting organisation. In the light of the industry’s own compliance arrangements, the consultants strongly endorsed the Inspectorate’s idea of thematic and head office inspections so that resources could be more closely focused on areas of potential risk, and duplication of effort avoided.

2.15 The Gaming Board introduced thematic inspections of casinos in 1998-99 and so far four have been completed. In addition, one thematic inspection of bingo and one on machine supply have been carried out. The Board began its first head office inspection of a major casino operator in autumn 1999 and completed this, and a second, by May 2000. The introduction of head office inspections was delayed by the need for extensive discussion with casino operators, some of whom had argued that they would be illegal because the Board's powers were limited to inspecting individual gaming establishments.

2.16 Head office inspections provide the Gaming Board with an opportunity to assess the strengths and weaknesses of an operator's self regulation, where it exists, and tailor its own inspection efforts accordingly. The Board told us, however, that some operators are unwilling to provide it with the results of their compliance work because of commercial and other sensitivities. We note that head office-type inspections are already a well-established practice with some of the Board's overseas counterparts and may therefore be a source of best practice for the Board.

Recommendation

The Gaming Board should develop more formal, systematic techniques for assessing risk in the different sectors of the industry. In deciding on the frequency of regular inspections, it should take into account, for example, the outcome of previous inspections, the results of the operator's own compliance activities where these are available, any significant changes in turnover, and the quality and experience of the operator's management and staff. Over time, the frequency of regular inspections should also take into account the coverage provided by the Board's introduction of major reviews, thematic inspections and head office inspections.

The recording and results of inspections

Findings

The Inspectorate's computerised records of inspections vary considerably in quality and have been criticised by the Gaming Board's internal audit. In the longer term, the Gaming Board wants to develop a new computer system to enable Inspectors to record the results of their inspections in more detail.

2.17 Inspectors keep a diary record from which details of inspection visits are transferred to a computerised management information system, which maintains a record of all visits to casinos and bingo clubs. Our examination of a selection of these records at four of the Inspectorate's five regions indicated that:

- the amount of detail about each visit was limited. The majority of entries contained little evidence of the results of the inspection beyond indicating what elements of the inspection programme had been carried out and the names of the staff seen (Figure 2(e)(i)). Some were a little more expansive (Figure 2(e)(ii));

- the records did not always clearly distinguish between regular inspection visits and visits for other purposes; and
- there was a lack of consistency in indicating whether a written report was produced following the visit or whether oral advice was provided.

The records of inspection visits to machine suppliers and lotteries are not computerised.

Examples of records of inspection visits of casinos and bingo halls

Figure 2(e)

- (i) "Saw Mr X. Inspection 13, 16, 28 and 29" (entry arising from a two-hour visit).
- (ii) "Visit by Senior Inspector. Mr Y, duty manager seen in respect of s12 breach. Advice given re guests' details not being fully recorded. Check s19s and gaming percentages." (entry arising from 1½ hour visit).

Notes: 1. The numbers in (i) refer to the inspection programme (see Appendix 5)
2. The entry does not make clear the extent of the breach in (ii), who detected it and how, what advice was given, and what records were examined.

2.18 The Gaming Board's internal audit reported on the Inspectorate in July 1997. It was critical of the quality of the Inspectorate's written records and it recommended that standard categories of findings should be established so that the results of visits could be analysed. In July 1999, internal audit told us that the Inspectorate had made little progress over the last two years in improving the recording of findings arising from its inspections.

2.19 We consider that the Gaming Board needs to take action to improve inspection records and have listed in Figure 2(f) some of the information that they might usefully contain to:

- help inform risk assessment and the planning and targeting of Inspectorate resources;
- generate management information on where Inspectorate resources are being deployed;
- provide a record of advice given to operators against which their future performance can be measured;

- help the identification of regional and national trends, and patterns within operating companies; and
- provide a clear record of the outcomes of inspections, for example, oral advice and/or written reports.

Examples of information which inspection records might include

Figure 2(f)

The Inspector's record of their visit might include:

- The reason(s) for the visit (regular inspection/major review/thematic inspection/head office inspection/application to modify premises/lecture trainees/accompanying magistrates/other). This could be done using a coding system to facilitate analysis.
- Names of staff interviewed and a summary of the points discussed and any action agreed.
- List of records inspected, any queries raised and how they were resolved.
- A record of the overall result of the visit, using standard categories, for example "oral advice to management on minor problems or infractions". A full list of possible classifications is included in Appendix 3. These classifications could be recorded using a tick box or coding system. A more detailed breakdown of the type of advice given and infringements found could be built into the coding system in due course.
- Classification of the origin of any findings, for example, whether they originated from the Inspector's own work, the operator or an informant.
- A note of whether a full written report is to be submitted and the deadline.

The results of visits to operators

Findings

In our sample of 1998-99 computerised inspection records, 48 per cent of visits to casinos and 38 per cent of those to bingo clubs resulted in recorded findings.

Where records indicated that the inspection had resulted in some action, this usually involved discussions with management on miscellaneous topics, and advice on minor problems or infractions. Written reports by Inspectors were produced in 9 per cent of casino inspections and 7 per cent of bingo club inspections in our sample. Most of the reports were based on information provided to the Inspector by the operator or other informants. Written reports arising from the Inspectors' own findings were produced in 2 per cent of casino inspections and 1 per cent of bingo club inspections.

Our sample provided no instances of findings that led to prosecution or action to withdraw a Certificate of Consent or Certificate of Approval.

2.20 We examined a sample of computerised inspection records drawn from four of the Inspectorate's five regions and covering nearly a quarter of all visits to casinos, bingo clubs and machine suppliers in 1998-99. Appendix 3 sets out in more detail how we selected the sample.

2.21 We analysed the outcomes of the visits using our own classifications in the absence of any used by the Gaming Board. We looked for evidence as to whether the Inspector found any minor or major infractions of gaming legislation or guidelines agreed with the industry, and gave any oral or written advice or warnings. Because of the limited detail in the Inspectorate’s computerised records, we had to make a number of assumptions and therefore the results need to be treated with some caution.

2.22 In our sample, the proportion of visits to casinos that did not result in any findings averaged 52 per cent. Where records indicated that the inspection of the casino had resulted in some action, this usually involved discussions with management on miscellaneous topics (an average of 18 per cent of visits in our sample) and oral advice to management on minor problems or infractions (an average of 12 per cent). Within these averages, there were considerable variations between regions (Figure 2(g)).

Figure 2(g)

Outcomes of Inspectors’ visits to casinos in 1998-99

Result of visit ¹	Region				Average %
	South East %	South West %	Northern %	Scottish %	
No evidence of findings	69	37	67	42	52
Enquiries or advice relating to Section 19 certificates ²	2	10	10	14	9
Discussions with management on miscellaneous topics	22	22	6	19	18
Oral advice to management on minor problems or infractions	5	23	5	3	12
Written reports	2	8	12	22	9

Notes: 1. The figures in this table are based on an examination of the records of 497 visits to 32 casinos

2. These certificates are needed for appointments to certain posts in the casino and bingo industries

Source: National Audit Office analysis

2.23 In the case of our sample of bingo clubs, 62 per cent of Inspectors’ visits did not result in any findings, 10 per cent of visits resulted in discussions with management and 20 per cent of visits in advice on problems or infractions (Figure 2(h)).

Figure 2(h)

Outcomes of Inspectors' visits to bingo clubs in 1998-99

Result of visit ¹	Region				
	South East %	South West %	Northern %	Scottish %	Average %
No evidence of findings	62	45	78	72	62
Enquiries or advice relating to Section 19 certificates ²	1	3	1	0	1
Discussions with management on miscellaneous topics	22	7	10	4	10
Oral advice to management on minor problems or infractions	10	38	10	10	20
Written reports	5	7	1	14	7

Notes: 1. The figures in this table are based on an examination of the records of 516 visits to 188 bingo clubs
 2. These certificates are needed for appointments to certain posts in the casino and bingo industries

Source: National Audit Office analysis



2.24 We found that Inspectors produced written reports, on average, in 9 per cent of casino inspections and 7 per cent of bingo inspections. Most of these reports were based on information provided to the Inspector by the operator or other informants. In our sample, written reports arising from the Inspectors' own findings occurred in two per cent of visits to casinos and one per cent of visits to bingo clubs.

2.25 In the majority of instances, we found that minor transgressions detected by Inspectors were dealt with by the Inspector giving an oral warning or oral advice. The most serious action we identified was the issue of a warning letter to two operators about breaches of codes of practice agreed with the industry. Overall, our findings supported the conclusion in the Inspectorate's 1998 internal report - The Need for Change - that the industry was generally compliant, with no evidence of deliberate attempts to breach gaming legislation.

2.26 Our survey of local managers in the gaming industry found widespread satisfaction with: the focus of inspection visits; their usefulness; the reporting of inspection outcomes; and their deterrent effect (Figure 2(i)).

Results from National Audit Office survey of gaming managers

Figure 2(i)

	Agree/Strongly Agree %
The Inspectors:	
Examine all areas of regulatory significance for my business	85
Give me useful guidance	88
Visits are useful in identifying improvements in my systems	60
Always give me a verbal debriefing on the areas examined and any findings	77
Visits encourage compliance with gaming legislation	75

Source: National Audit Office survey

Recommendation

The Gaming Board should take steps to improve its computerised inspection records so that they can be used, for example, to help inform risk assessment. As a minimum, the records should clearly identify the reasons for the inspection, the findings, including the number and type of infractions uncovered, how and by whom they were detected, the advice given and whether this was oral or in writing.

Performance measures

2.27 The modernising government programme requires public bodies “to be clearly focused on the results that matter to people and to monitor and report progress in achieving them” (Cm 4310).

Findings

The Inspectorate carried out nearly 5,000 inspections of gaming operators and lotteries in 1998-99 at a cost of around £1 million. It has not been able to produce measures to determine the efficiency and effectiveness with which this work is carried out. Internal Audit has twice reported on the lack of such measures. The Gaming Board maintains that the nature of the Inspectorate’s work does not lend itself to be measured in this way.

2.28 In 1998-99, the Inspectorate spent around £1 million in carrying out: some 2,000 supervisory visits to casinos; nearly 2,500 to bingo clubs; 284 inspections of certified machine suppliers; and three lottery inspections. It has not been able to produce any measures to determine the efficiency and effectiveness with which this work is carried out beyond the number of inspections completed.

2.29 In 1994, the Gaming Board’s internal audit commented on the Inspectorate’s failure to put in place measures that give a clear indication of its efficiency and effectiveness. They recommended the introduction of: unit costs and costs per inspection type; average time per inspection; and percentage of visits achieved on time. The Board took no action and in 1998 internal audit again

emphasised the need for such measures. The Board responded that they did not believe that the measures recommended would provide worthwhile additional information, particularly when compared with the costs of collecting the necessary data. We note, however, from the Home Office’s report “Benchmarking of Home Office Inspectorates”, published in March 1998, that some Inspectorates have found that measuring the cost of each inspection is a “useful means for improving efficiency, value for money and fostering commitment to improving impact and cost effectiveness of inspection”.

2.30 We have identified some potential measures that would show performance relative to the Inspectorate’s key objectives and these are listed in Figure 2(j).

Figure 2(j)

Possible performance measures to determine the Inspectorate’s achievement of its key objectives

Key objectives	Possible measures
To supervise gaming establishments and lotteries to ensure that they are run fairly and in accordance with the law.	<ul style="list-style-type: none"> ■ Number of inspection visits to casinos, bingo clubs, lotteries and machine suppliers and number of infractions found, classified as minor or serious. ■ Number of infractions which result in recommendations for enhanced controls and number accepted and implemented by operator and, where possible, an estimate of the likely financial impact. ■ Number of inspection visits which result in written reports to the operator or oral advice. ■ Number of inspections that result in evidence leading to successful/unsuccessful prosecutions by the police or local authorities.
To investigate and report on applicants for, and holders of, the Gaming Board’s certificates and the registration of lotteries.	<ul style="list-style-type: none"> ■ Number of inspection visits which directly result in recommendations for revocation of Gaming Board certificates and the registration of lotteries and the outcome of those recommendations. ■ Number of applications for certification and registration investigated, number of recommendations for approval/rejection and number of recommendations accepted/rejected.
To advise and assist the police and other bodies in the enforcement of gaming legislation.	<ul style="list-style-type: none"> ■ Number of separate pieces of advice to representative bodies of the gaming and lottery industry arising from inspection work. ■ Number of invitations received to address conferences and provide training, and number undertaken. ■ The number of complaints from operators, the time taken to deal with them and the result.

Recommendations

The Gaming Board should:

- require the Inspectorate's regions to measure the cost of their inspections and investigate any significant differences in unit costs; and
 - consider the suitability of the measures identified by the National Audit Office for determining the Inspectorate's effectiveness.
-

Recruitment

Findings

The Gaming Board's Inspectorate has traditionally been staffed by retired former police officers and they currently comprise 30 of its 36 staff. The Board's recent efforts to enhance the Inspectorate's skills base by recruiting more widely have been hampered, in part, by its inability to offer higher salaries.

2.31 The Gaming Act 1968 established a regulatory framework designed principally to purge the gaming industry of criminal activity and to keep it free from crime. Accordingly, the first successful applicants for employment in the Inspectorate were mainly retired police officers. Their experience and skills proved beneficial in establishing the Inspectorate and obtaining the co-operation of the industry. As a result, the Board's traditional policy has been to fill Inspectorate vacancies with people who have reached the rank of Inspector or above in a United Kingdom or Commonwealth police force, or who have served in a comparable capacity in Her Majesty's Forces or the United Kingdom's security services.

2.32 In recent years, the Gaming Board has, exceptionally, appointed people to the Inspectorate from outside the police and armed forces. It did so in 1998 and again in 1999 to fill two newly created specialist posts, one involving liaison with the National Criminal Intelligence Service and the other providing technical and legal advice to the industry on gaming machines. In 1999, the Board considered applicants from a variety of backgrounds for four Inspector vacancies but ultimately appointed former police officers as it judged them to be the best candidates. As at September 1999, 30 of the 36 members of the Inspectorate were retired former police officers.

2.33 The Gaming Board would like to recruit, in particular, Inspectors with information technology, accounting and audit skills, which it recognises are lacking in the Inspectorate at present. However, the salary it is able to offer, and the unsocial hours Inspectors have to work, have so far proved a barrier to attracting suitably qualified, experienced candidates. Whilst the Board advertises

for an Inspector to have reached, at least, the rank of Police Inspector or its equivalent, the salary payable – £17,420 to £23,378 a year – only equates to that earned by a police constable.

2.34 Our discussions with senior representatives in the gaming industry found support for the view that the Inspectorate’s staff should be drawn from a wider range of backgrounds than at present. Skills seen as relevant included accountancy, interpersonal skills, and information technology, enabling the Inspectorate’s work to be done on line, where appropriate, and so reducing the need for some visits. Industry representatives also saw a need for greater commercial awareness, so that Inspectors could better appreciate how the gaming clubs they inspected fitted into the corporate structure of their owners – often major public limited companies with a diversity of commercial interests. One major operator considered that the skills of the Inspectorate’s present staff were limited and that their approach to their work reflected their background as retired police officers, engaged on a second career for which they received relatively low remuneration.

2.35 Nevertheless, our survey of local managers in the gaming industry found widespread satisfaction with the conduct and work of Inspectors, including their commercial awareness (Figure 2(k)).

Results from National Audit Office survey of gaming managers

Figure 2(k)

	Agree/Strongly Agree %
The Inspectors:	
Carry out their examinations in a courteous manner and take full account of any explanations I offer.	97
Are sufficiently knowledgeable to know whether my business is conducted legally in accordance with regulations, fairly and properly.	96
Carry out their inspections in such a way as to minimise disruption to my business.	94
Have demonstrated the necessary commercial knowledge to carry out their regulatory and monitoring duties effectively.	88

Source: National Audit Office survey

Recommendation

The Gaming Board should, in conjunction with the Home Office, consider possible options for attracting a wider range of qualified candidates for Inspector vacancies. One option might be a smaller but more highly paid and skilled Inspectorate.

Part 3: Better certification and registration

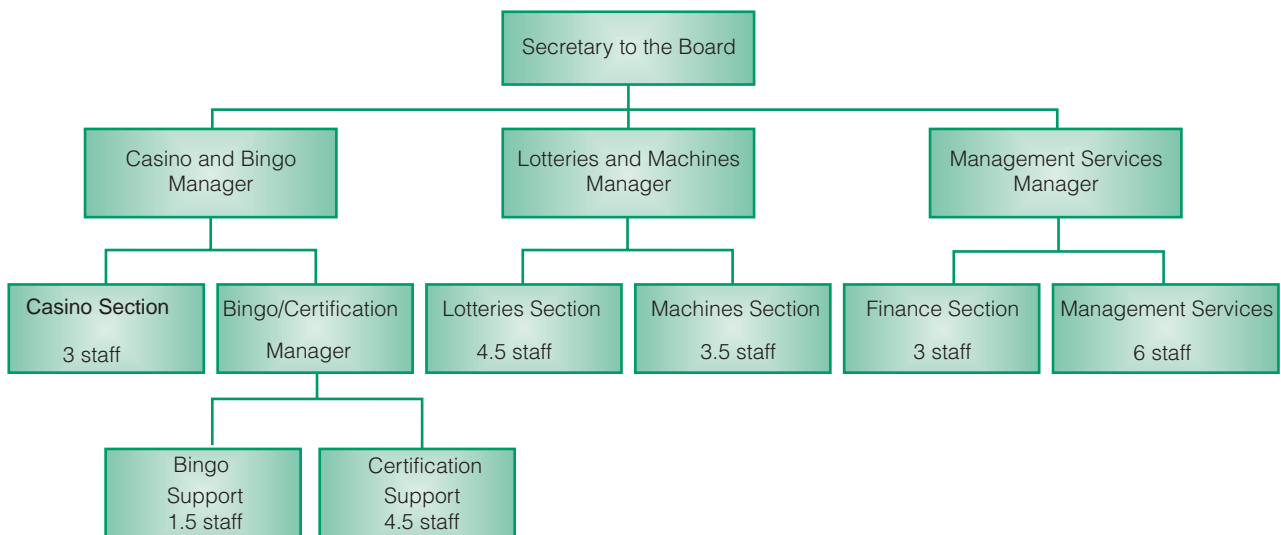
3.1 The Gaming Board’s key objectives include ensuring that those involved in organising gaming and lotteries are fit and proper to do so. This part of the report considers the Board’s success in meeting this objective. In particular, it focuses on the work of the Secretariat.

The Secretariat

3.2 The Gaming Board’s Secretariat is responsible for processing applications from those who wish to: provide casino or bingo gaming; take up certain posts in the gaming industry; sell, supply and maintain gaming machines; or run particular types of lotteries. Figure 3(a) shows the organisation of the Secretariat and the staffing levels of its various sections.

Figure 3(a)

Organisation of the Gaming Board’s Secretariat and staffing levels



Note: The Secretariat provides one administrative officer at each of the Gaming Board’s five regional offices to support their work.

Source: The Gaming Board

3.3 The Secretariat’s staff seek to establish whether the applicants are fit and proper people to be involved in the gaming industry and are likely to be capable of, and diligent in, carrying out their responsibilities. Figure 3(b) summarises the approach of the Secretariat’s different sections to processing applications and Figure 3(c) details the various certificates issued to successful applicants and what they cover.

Figure 3(b)

Work of the Secretariat’s sections in processing applications from those wishing to provide gaming or work in the gaming and lottery industry

Casino Section	Processes Certificates of Consent submitted by prospective and existing casino operators. This involves checking: the background of the applicant; the finances, management and control plans of the casino; the suitability of the premises; and that all necessary planning permissions have been obtained.
Bingo Section	Processes Certificates of Consent for the grant or transfer of licences for commercial bingo clubs. This involves checking the personal and financial probity of the applicants and that they have entitlement to the premises and any necessary planning permission. The section also checks applications for renewal of bingo licences.
Certification Section	Processes Certificates of Approval required by staff working in casinos and by the managers of bingo clubs. The section liaises, as appropriate, with applicants, employers, police forces and the Gaming Board’s Inspectorate to establish whether the applicant is a “fit and proper person”.
Lotteries Section	Examines applications from societies (charitable, sporting and cultural organisations etc.) seeking registration to run larger lotteries under the Lotteries and Amusements Act 1976. The section requests checks from the police into the background of the promoter of the lottery and determines whether the proposed lottery meets all legal requirements, and the society is eligible for registration. It also considers applications from those who wish to set up as external lottery managers.
Machines Section	Processes certificates needed by those who wish to sell, supply and/or maintain gaming machines. The section requests reports from the police into the background of the applicant and endeavours to assess the financial strength of the business. It also considers the applicant’s business competence and knowledge of gaming legislation.

Source: The Gaming Board

Figure 3(c)**Purpose of the Gaming Board's gaming certificates and registration of lotteries**

Type of Certificate	Gaming Area	Comments
Certificate of Consent	Casino and Bingo	A Certificate of Consent from the Gaming Board is needed before anyone can apply to the appropriate licensing authority for a licence for a club that provides casino or bingo gaming.
Certificates of Approval	Casino and Bingo	Certificates of Approval are needed from the Gaming Board before anyone can take up certain posts in the casino and bingo industries. Such certificates are usually referred to as Section 19 certificates in reference to the relevant part of the 1968 Gaming Act.
<ul style="list-style-type: none"> ■ Blue certificates ■ Yellow certificates ■ Green certificates ■ Grey certificates ■ White certificates ■ Pink certificates 	<ul style="list-style-type: none"> Dealers and cashiers in casinos Inspectors, pit bosses and security staff in casinos and bingo clubs Casino supervisors Casino managers Casino executives Bingo managers 	The certificates relate to employment in a specific club or group of clubs so applications for them must be made through the employer, and persons changing jobs must apply for a fresh certificate.
Gaming Machine Certificates	Machine gaming	This certificate is needed by those who wish to sell or supply gaming machines to third parties and maintain gaming machines.
Lottery Certificates	Lotteries	This certificate is needed by those who wish to act as an external lottery manager on behalf of other organisations.
Registration	Lotteries	Societies who wish to run larger lotteries and local authority lotteries must be registered with the Gaming Board. Larger lotteries are defined as those where the proceeds of a single lottery exceed £20,000 or where a series of lotteries has cumulative proceeds of more than £250,000 in a year.

Source: The Gaming Board

Performance measures

3.4 The modernising government programme requires public bodies to be clearly focused on the results that matter to people and monitor and report progress against achieving them (Cm 4310).

Findings

The Secretariat's targets for processing applications for the Gaming Board's certificates and the registration of lotteries have remained largely unchanged since the early 1990s. The Secretariat has no extant documentation to show how the targets were derived.

The Secretariat misses the targets in a significant minority of cases each year due, in part, to police delays in providing reports on applicants. Because of staff shortages, the Certification Section of the Secretariat temporarily stopped sending out routine reminders to police forces.

3.5 Applicants for the Gaming Board’s certificates to apply for a gaming licence or take up employment in the gaming industry want the Secretariat to deal with their applications as quickly as possible. Reflecting this, the Secretariat’s key performance targets relate to the time taken to process the applications. Figure 3(d) shows the Secretariat’s timetable for turning round the different types of application. In each case, it has set a target of 100 per cent achievement. The timetables have remained unchanged since 1992, with the exception of that relating to lotteries, which the Board revised in 1994. The Board was not able to provide us with any documentation showing how the timetables had been derived, but told us that it reviewed them every year and was satisfied that they remained demanding.

Figure 3(d)

Performance against targets for processing applications for certificates and registering lotteries 1997-1999

Section	Target	Percentage achieved in 1997-98	Percentage achieved in 1998-99	Improvement/ Decline in performance
Casino Section				
Determination of Certificate of Consent applications	All applications determined within 4 months of receipt	77	81	+4
Bingo Section				
Determination of Certificate of Consent applications	All applications determined within 8 weeks of receipt	87	79	-8
Certification Section				
Issue of Certificates of Approval to first time applicants	All certificates issued within 6 weeks of receipt of application	79	74	-5
Machines Section				
Determination of applications for new certificates	All applications determined within 3 months of receipt	63	61	-2
Processing of renewal applications	All applications processed before expiry date of existing certificate	88	92	+4
Lotteries Section				
Determination of applications to register lottery schemes	All applications determined within 6 weeks of receipt	76	69	-7

Source: The Gaming Board

3.6 It is important that targets are not only demanding but achievable. Figure 3(d) shows that in the two financial years 1997 to 1999, the Secretariat missed its targets in a significant minority of cases, a pattern repeated in previous years. We found that the reasons for the delays were various: the complexity and

completeness of the applications; the need to wait for police reports on the applicants; and the extent to which management and Board input was required. In addition, due to staff shortages, the Certification Section of the Secretariat had not routinely sent out reminders to police to chase up outstanding reports on applicants.

3.7 The Gaming Board publishes performance against targets for processing applications in its Annual Report. We sought to reconcile the published figures for new applications for Certificates of Approval with the data held in the Secretariat. We were unable to do so and our analysis at Figure 3(e) suggests that the Board may have overstated its performance in each of the five financial years 1994 to 1999.

Analysis of performance in processing applications for Certificates of Approval for first time applicants 1994 to 1999

Source: National Audit Office analysis and Gaming Board Annual Reports

Figure 3(e)

Financial Year	Analysis of applications processed within target		Overstatement (+)/ Understatement (-) of performance
	National Audit Office analysis	Results published by the Gaming Board	
	%	%	
1994-95	82	89	+ 7
1995-96	82	90	+ 8
1996-97	77	95	+ 18
1997-98	65	79	+ 14
1998-99	72	74	+ 2

Recommendations

The Gaming Board should:

- in view of the fact that a significant minority of applications for the Board's certificates and the registration of lotteries are not processed on time by the Secretariat, consider whether any changes are needed to the Secretariat's working practices and/or its performance targets;
- in the light of the apparent discrepancies in reporting performance identified by the National Audit Office, check the methods used by staff to compile performance data and consider whether any additional guidance and/or training is needed by Secretariat staff in compiling this data; and
- consider whether internal audit assistance is required to validate the systems for compiling performance data.

Results of checks

Findings

The Gaming Board rejects very few applications for its certificates and the registration of lotteries. In the two financial years 1997 to 1999, the Board considered 3,805 applications for new Certificates of Approval and granted 3,800 (99.9 per cent).

The Gaming Board's only statutory sanction if a certificate holder is the subject of an adverse report by its Inspectors is revocation of the certificate. In the five financial years 1994 to 1999, the Board revoked 361 (5 per cent) of the estimated 7,000 Certificates of Approval in active use.

3.8 A main objective of the Gaming Act 1968 was “to prevent undesirable elements from establishing themselves in the field of gaming”³. The Gaming Board has wide discretion under its governing legislation in respect of the information it can request from applicants to determine their suitability to provide gaming or take up employment in the industry. Our selective examination of applications indicated that the Secretariat's staff were thorough in carrying out their enquiries and that external legal and accountancy advice was sought where it was considered necessary.

3.9 Figure 3(f) shows that in the two financial years 1997 to 1999 very few applications were rejected, for example, just five of the new applications for Certificates of Approval out of the 3,805 considered. The Gaming Board told us that this level of rejection was much the same as for previous years. Applicants refused a certificate have no right of appeal, even to the Home Secretary. If they wish to challenge the Board's decision, they must seek a judicial review and prove that the Board failed to act in accordance with natural justice.

3 Home Secretary, James Callaghan MP, Hansard Cols 314-315, 12.6.68

Figure 3(f)**Applications for Gaming Board certificates refused in 1997-98 and 1998-99**

Certificate	Nos. of cases determined 1997-98	Nos. of cases refused 1997-98	Nos. of cases determined 1998-99	Nos. of cases refused 1998-99
Casino Section				
Certificate of Consent	21	1	16	0
Bingo Section				
Certificate of Consent	48	0	70	0
Certification Section				
Certificates of Approval				
(i) New applicants	1,670	3	2,135	2
(ii) Transfers, promotions and reissues	1,907	0	2,923	0
Machines Section				
Applications for new certificates	24	2	24	2
Renewal applications	109	1	103	1
Lotteries Section				
Applications to register society lotteries	60	1	51	0
Total	3,839	8	5,322	5

Source: Gaming Board Annual Reports

3.10 The Gaming Board's Inspectors visit gaming establishments, machine suppliers and lotteries to ensure that relevant legislation and regulations are being observed. If an Inspector issues an adverse report on a certificate holder, the Board may revoke their certificate, the only sanction available to it under its governing legislation. As in the case of an applicant who is refused a certificate, a certificate holder whose certificate is revoked has no right of appeal. If they wish to challenge the Board's decision they must seek a judicial review.

3.11 Figure 3(g) shows that in the five financial years 1994 to 1999, the Gaming Board revoked 361 Certificates of Approval out of an estimated 7,000 in active use – a revocation rate of around 5 per cent. During this period, the Board dealt with the vast majority of adverse reports on certificate holders by sending them warning letters about their future conduct. The Board does not routinely produce statistics on the number of warning letters issued.

Figure 3(g)

Gaming Board revocations 1994-95 to 1998-99

	Extant certificates/ registrations	Number of revocations					Total
		1994-95	1995-96	1996-97	1997-98	1998-99	
Casino Section							
Certificate of Consent	119	0	0	1	0	0	1
Bingo Section							
Certificate of Consent	780	0	0	0	1	0	1
Certification Section							
Certificates of Approval	c7,000	55	76	86	63	81	361
Machines Section							
Certificated suppliers	781	3	1	2	2	2	10
Lotteries Section							
Certificated external lottery managers	6	0	0	0	1	0	1
Registered lottery schemes	634	0	0	1	0	0	1

Note: The Gaming Board does not maintain details of the number of active holders of Certificates of Approval, which are needed by people wishing to take up certain posts in casinos and by managers of bingo clubs. But industry estimates put it in the region of 7,000.

Source: Gaming Board Annual Reports 1994-95 to 1998-99

3.12 Figure 3(h) shows that, both in 1997-98 and 1998-99, collusion with players and socialising with members accounted for a third or more of the revocations of Certificates of Approval. The revocation of someone's certificate does not mean that they are barred from involvement in the gaming industry in Great Britain for ever and, if they apply for a fresh certificate twelve months after revocation, the Gaming Board will consider the case on its merits. In 1998-99, the Board granted Certificates of Approval to six individuals who had previously had their certification revoked. The loss of the Board's certificate does not always result in the individual's dismissal by their employer who may, instead, transfer them to a non-gaming post.

Figure 3(h)**Revocation of Certificates of Approval 1997-98 and 1998-99 and reasons**

	Number and percentage of revocations	
	1997-98	1998-99
Collusion with players	10 (16%)	14 (17%)
Socialising with members	14 (22%)	13 (16%)
Theft from employers	5 (8%)	12 (15%)
Incurring convictions after the issue of a Certificate of Approval (excluding drug-related convictions)	5 (8%)	9 (11%)
Involvement with drugs (including drug-related convictions)	15 (24%)	8 (10%)
Accepting gratuities	–	3 (4%)
Drunkenness	1 (2%)	2 (2.5%)
Failing to declare convictions in breach of Section 23(6) of the Gaming Act 1968	4 (6%)	2 (2.5%)
Violent behaviour	–	2 (2.5%)
Visiting and gaming in another casino	2 (3%)	2 (2.5%)
Others	7 (11%)	14 (17%)
Totals	63 (100%)	81 (100%)

- Notes
1. The principal reason for revocation is shown in each case.
 2. Others include: sexual harassment; falsifying company records; failure of executive responsibilities; involvement in illegal gambling; failure to disclose information; showing cards to customers before dealing; failure to supervise staff; lying about references; using position improperly to obtain confidential information; dishonesty; borrowing money from a member; failure to report collusion; breach of membership requirements; and cash and stock missing from the bar.

Source: The Gaming Board

Scope for deregulation of certification

3.13 In May 1999, the Better Regulation Task Force carried out a review of the criteria used to judge people's suitability for certain occupations – “fit person” criteria. The Task Force reported that, whilst for certain positions it was appropriate for government departments to retain responsibility for carrying out fit person checks, for example, in the case of careworkers and minicab drivers, for many other positions this responsibility could fall to the employer: “employers should be accountable for fit person checks except where there are strong

arguments for statutory intervention”. Criminal record checks will, in the near future, be facilitated by the setting up of the Criminal Records Bureau which will allow an individual, for a small fee, to apply for his or her own “criminal conviction certificate” for employment and related services. The certificate will record every conviction or confirm no convictions. The Gaming Board will be registered with the Bureau to obtain an “enhanced criminal certificate” which will include spent convictions and any intelligence information. This certificate will not be available to individuals or their employers.

3.14 During the course of our investigation, some representatives of the gaming industry told us that the checks carried out by the Gaming Board before issuing Certificates of Approval largely duplicated the checks they themselves made before employing staff, although the Board pointed out to us that it routinely uncovered information unknown to the employer. The setting up of the Criminal Records Bureau, and the improved compliance systems now operating in the larger gaming companies, provide the Board with the opportunity to consider the extent to which certification of employees could be carried out by the industry, perhaps under a licence to the Board. One possibility, for example, might be for the Board to continue to exercise responsibility for certifying those seeking to enter the gaming industry for the first time but to devolve to employers the certification work which arises when a certificate holder is promoted or moves employment within the gaming industry. Certification work would only be devolved to employers who were able to satisfy the Board as to the effectiveness of their recruitment procedures. Legislative changes would be needed before employers could issue certificates.

3.15 The Gaming Board currently issues six different types of Certificate of Approval to employees in the gaming industry (Figure 3(c)). The type of certificate issued depends on the nature of the work carried out by the employee and the seniority of the position held. Before any consideration is given to devolving responsibilities along the lines suggested in paragraph 3.14, the Board should consider the scope for rationalising the number of certificates issued to employees in the gaming industry.

Recommendations

The Gaming Board should:

- consider, in the light of the planned establishment of the Criminal Records Bureau, the frequency and extent of the criminal records checks needed into applicants for Certificates of Approval, and whether the responsibility for some checks should continue to be the Board's rather than the applicant's or their employer's and if appropriate whether recommendations should be made to amend existing legislation.
 - consider for certain types of certificates, for example those required by existing employees moving within the industry, whether both the criminal records checks and the issue of the certificate should be devolved to the employer; and
 - given that there are six different types of Certificate of Approval, first consider the scope for rationalising the certification of employees in the gaming industry.
-

Recruitment

Findings

The Gaming Board's Secretariat has always been staffed by civil servants on secondment from the Home Office, the Board's sponsoring Department. This arrangement can result in disruption to the Secretariat's work and temporary loss of experience when secondees return to the Home Office and their successors begin the process of learning their role and responsibilities. In recent years, the Board has had difficulty in attracting suitable recruits from the Home Office and vacancies have either remained open or been filled by temporary agency staff.

3.16 Since the Gaming Act 1968 established the Gaming Board, its Secretariat has been staffed by civil servants on secondment from the Home Office, the Board's sponsoring Department. In recent years, the Board has experienced difficulties in attracting suitable recruits from the Home Office and vacancies have occasionally remained open for some time. In 1998-99, the Secretariat budgeted for 38 seconded staff but averaged 35. The Board filled two of these vacancies with temporary agency staff but one remained unfilled. As at 31 August 1999, the Secretariat had three temporary staff in post and three unfilled vacancies. One of these was for a head of Section which had first been advertised within the Home Office in April 1999.

3.17 The Gaming Board considers that the main advantage of recruiting secondees from the Home Office is the administrative skills that they have already acquired by working in a major government department. The Board acknowledges, however, that the specialist nature of its work means that seconded staff are not always fully effective for the first year or so and that there is some loss of expertise when they return to the Home Office. This is confirmed by our

discussions with representatives of the gaming industry, some of whom were critical of the lack of continuity in the Secretariat and the loss of knowledge that this entailed.

3.18 In April 1998, the Gaming Board concluded a major internal review of its Inspectorate (paragraph 2.12). The resulting report – “The Need for Change” – considered that the return of seconded staff to the Home Office “militates against continuity of expertise and communication, potentially disrupting the day to day business of the Board and the proper regulation of the gaming industry”. The report concluded that a Secretariat staffed on a more permanent basis would promote “greater efficiency, cohesion and communication, by being able to share skills, experience and best practice across the whole of the organisation”.

3.19 The Gaming Board has previously considered the possibility of some external recruitment of Secretariat staff but rejected the idea because of “the Board’s small size and the inability to offer a career structure”. It told us, however, that it would be prepared to reconsider the matter and also the possibility of advertising Secretariat vacancies across the whole of the Civil Service rather than just the Home Office.

Recommendation

The Gaming Board should consider external recruitment of staff from the private sector and advertise secondment vacancies to the whole of the Civil Service rather than to just the Home Office.

Part 4: Working with others

4.1 The modernising government programme requires Departments and other public bodies with overlapping responsibilities to work together to give the citizen better value for money (Cm 4310).

Findings

Companies which hold licences to provide gaming are subject to examination by HM Customs and Excise who are responsible for collecting gaming duty. At present, the Gaming Board has no systematic arrangements for the mutual exchange of information with HM Customs and Excise but is developing closer relations with them.

The Gaming Board requests a police report on all new applicants for certification as part of its check on their fitness to be involved in gaming.

Many operators in the gaming industry carry out some form of self regulation. The Gaming Board has no arrangements for obtaining the results of this regulation to help inform its regulatory effort.

Since April 1998, the Gaming Board has taken action to define responsibility for intelligence gathering in its Inspectorate and to ensure that it is properly co-ordinated. The Inspectorate has been working on a database for storing intelligence data and this came into use in May 2000.

The Gaming Board has established contacts with a number of organisations for the purpose of intelligence gathering but, at present, there are no formal arrangements for the regular, mutual exchange of data. The Board wishes to develop further its links with the regulatory arm of a number of professional bodies but is prevented from doing so by legal barriers.

The Gaming Board uses the Internet to monitor developments in the gaming industry and the risks posed by unregulated gaming on the Internet.

HM Customs and Excise

4.2 We found that contact between the regulatory staff of the Gaming Board and HM Customs and Excise was largely dependent on individual initiatives at national and local level. These initiatives have included attending each other's annual conferences, providing technical advice and exchanging miscellaneous pieces of information on request. Two combined Inspectorate/Police/Customs operations, both involving unlawful machine supply and operation, were carried out in 1998-99. These proved highly effective and led to legal proceedings against the offenders.

4.3 We set up a joint meeting with representatives of the Gaming Board and HM Customs and Excise to explore the opportunities for closer working and information sharing. As a result, they now have, for the first time, a joint liaison committee to facilitate mutual co-operation. Through this arrangement, HM Customs and Excise have provided the Gaming Board with information on major operators who have fallen behind in paying gaming duty as this may bring into question their continued fitness to be involved in gaming. Both parties considered that two-way secondments could help to improve their understanding of each other's role and identify ways of working more closely together, thus reducing the burden on businesses. The Gaming Board's targeting of inspections could benefit from HM Customs and Excise's expertise in formal risk assessment, especially as they are currently using and developing these techniques to identify possible betting and gambling traders for audit.

4.4 The Gaming Board is in the early stages of introducing head office inspections, involving the examination of corporate financial systems and internal controls. HM Customs and Excise already run training courses to develop the skills needed for such examinations and the Board may wish to explore the possibility of its Inspectors taking up places on the courses.

4.5 Gaming Board inspections of gaming machine suppliers include an examination of bank statements and accounting records to ensure that income from machines is on a rental rather than a profit sharing basis as required by regulations. The HM Customs and Excise accounting centre at Greenock could supply a database of all taxed gaming machines and, where available, the name of the supplier. This would allow Gaming Board Inspectors to check, on a sample basis, that suppliers' accounting records covered all the machines they supplied.



4.6 Increased co-operation between the Gaming Board and HM Customs and Excise could help to ensure that gaming duty is collected. For example, Gaming Board inspections of casinos, bingo clubs and machine suppliers involve the examination of financial records for a variety of regulatory purposes. Where the results of these examinations would clearly help to ensure that the proper amount of duty was paid, they could be passed to HM Customs and Excise. Similarly, HM Customs and Excise could pass to the Gaming Board any information which calls into question the fitness of an operator to retain their gaming licence.

4.7 The Gaming Board might also consider making available to HM Customs and Excise any evaluations it makes of the internal controls of bingo and casino operators to inform their own programme of inspection visits to the operators, and vice versa.

4.8 We have examined separately the collection of betting and gaming duty by HM Customs and Excise and our report (HC 352) was published on 30 March 2000.

The police

4.9 The Gaming Act 1968 envisaged a close working relationship between the police and the Gaming Board. The police have the main responsibility for the enforcement of the Act's provisions and for this purpose it gives them unrestricted rights of entry into all licensed clubs, with far reaching powers to inspect equipment, records and other relevant documents. The Act gives the Gaming Board the same rights and powers so that it can assist the police in their enforcement responsibilities. In the early years of the Act, the Gaming Board and the police co-operated closely, to the extent of carrying out some joint inspections. Since then, however, police priorities have changed and they no longer regard regulating the gaming industry as a key objective. In most forces, this work is now carried out by a small number of specialist "licensing officers", some of whom are civilians.

4.10 The Inspectorate is the Gaming Board's main link with the police and acts as a clearing house for information which may be of use to them. The Act does not provide for the Gaming Board to conduct its own investigations into breaches of the legislation and to prosecute those offences in the courts: investigation is the responsibility of the police, and prosecution that of the Crown Prosecution Service, on advice from the police. In recent years, the Inspectorate has become increasingly concerned at the lack of positive action by the police in response to gaming offences identified by its Inspectors, in all but the most serious cases. In 1999, the Gaming Board signed a Memorandum of Understanding with the Association of Chief Police Officers (ACPO) and the National Criminal Intelligence Service with the aim of establishing closer working relations. The Board hopes to use the Memorandum, amongst other things, as a vehicle for bringing to ACPO's attention any police inaction in dealing with the Board's findings relating to potential breaches of gaming legislation.

4.11 In 1998, the Inspectorate sought the views of ACPO and the Chairman of the Police Superintendents' Association about the Gaming Board seeking legislative authority to investigate and prosecute offences under the Gaming Act 1968. Recognising that offences under the Gaming Act were not a high priority for the police, the two Associations said they could support such a move. The Gaming Board also consulted the Crown Prosecution Service (CPS) as to whether it would be possible for Inspectors to bring cases directly to the CPS for prosecution. The CPS advised that Gaming Board Inspectors did not have certain key powers (such

as the power to obtain search warrants to seize documents) which would inhibit their position as primary investigators. Additionally, legislative change would be required if the statutory powers of the CPS were to be extended to include routinely the power to prosecute cases investigated by the Gaming Board.

4.12 The Inspectorate has therefore been trying, instead, to increase police awareness of the Gaming Board's functions, and its availability, in an advisory capacity, on gaming matters. The Inspectorate had been concerned that its own existence and that of the Board was largely unknown to many police officers because the role and responsibilities of the Board no longer featured in their training syllabus. The Inspectorate's initiatives have included providing articles for the Police Magazine and the Police Review. ACPO told us that it would be happy to discuss with the Board "a training input" to raise police awareness of the Board's work.

4.13 In 1998-99, the Gaming Board assisted the police with cases which resulted in 65 prosecutions or cautions for gaming and lottery offences. In general, however, the Board does not routinely produce statistics which show the extent to which co-operation with the police envisaged by the Gaming Act 1968 is being achieved. Such statistics might usefully cover: information provided to police on possible breaches of legislation but on which no action is taken and the reasons; information provided which resulted in a successful/unsuccessful prosecution; and information provided in response to requests for advice.

4.14 The Secretariat requests a police report on all new applicants for certification as part of its examination of their fitness to be involved in gaming. The Home Office has asked that the checks the police are requested to carry out on applicants be kept to a minimum, on the grounds of cost and calls on police time. As the police make no charge for their reports, the Secretariat generally limits itself to requesting information which will enable it to determine whether the applicant has declared all previous convictions and cautions. The sample of police reports we examined varied considerably in detail ranging from nil returns with little or no indication of the level of investigation carried out to a full list of all the sources searched.

4.15 Certificates of Approval relate to specific jobs and employers so that a certificate holder must apply for a new or different certificate if they change employer or jobs in the gaming industry. Such applicants are required to provide details of any convictions, warnings or other relevant court proceedings since the issue of the first certificate. Reflecting the Home Office's wish to minimise calls on police time, police checks are generally carried out in such cases only if more than five years have elapsed since the last check. The Gaming Board is confident that

any serious convictions incurred while the certificate holder was employed in the industry would come to the notice of the employer who in turn would report them to the Board.

4.16 From summer 2001, the criminal records checks currently carried out by the 43 separate police forces in England and Wales will be the responsibility of the Criminal Records Bureau (paragraph 3.13 above). Under the Police Act 1997 any individual who applies and pays a fee will receive his or her “criminal conviction certificate”. The certificate will record every conviction or confirm no convictions. Depending on the level of checks carried out, the Home Office estimates that fees will range from £5 to £10. The Gaming Board already places reliance on employers to monitor employees’ criminal records, once they have gained a Certificate of Approval (paragraph 4.15 above). The establishment of the Bureau provides the Board with the opportunity to reconsider the frequency and extent of the criminal records checks it should commission into the background of applicants for its certificates, and the extent to which it should be the responsibility of the applicant or their employer to obtain them rather than the Board (paragraphs 3.13 and 3.14).

Licensing authorities

4.17 Once an applicant has been granted a Certificate of Consent by the Gaming Board, he or she can apply to the local licensing authority for a licence to provide casino or bingo gaming. The Gaming Act 1968 allows the licensing authority to refuse a licence where it is not satisfied that existing gaming facilities are insufficient to meet the demand for gaming. The Act empowers the Board to offer advice to the licensing authorities on whether there is a “substantial demand for gaming facilities of the kind proposed” and whether local facilities are sufficient to meet that demand. The Board’s policy over many years has been to offer that advice in respect of all applications for new casino licences. At one time, it also collected data and provided advice on demand in respect of applications for licences to provide bingo gaming, but stopped doing so as a cost saving measure.

4.18 The Gaming Act 1968 does not define demand for the purpose of awarding a licence to provide gaming. The Board’s advice to licensing authorities is based on an estimate of the numbers of players present, at specified times, in the casinos in the locality covered by the licence applications. The estimates are provided by the casinos themselves. At one time, the Board compiled its own estimates but stopped doing so as an economy measure. Based on the casinos’ returns, the Board lodged objections to all eight applications for licences to provide casino gaming in 1998-99. Four of the eight were awarded a licence. In two cases this

was on appeal and after the Board had revised its original stance. The Board is normally represented by a solicitor at a contested hearing. The estimated cost of mounting an objection to the issue of a gaming licence is some £10,000 in legal fees (excluding internal staff time), although the Board is usually successful in recovering most of its costs.

4.19 During the course of our examination, the Gaming Board reviewed its policy on providing advice on applications for gaming licences. As a result, it expects to object in 75 per cent fewer cases in future. The Board told us that although the evidence for demand was provided by potential competitors of the applicants, the additional cost of an independent scrutiny could not be justified. We noted, however, that any potential competitor would have a vested interest in denying newcomers the opportunity to obtain a casino licence in their area. An assessment by an authority independent of the casinos would therefore provide a more reliable picture of the level of demand.

Other compliance agencies

4.20 At present, the Secretariat relies mainly on police reports to check the suitability of new applicants who wish to be involved in the gaming industry. We identified a number of other possible sources of information which might be useful in determining the fit and proper status of applicants.

4.21 Many of the applications to register lotteries are from charities. The Charity Commission maintains a register of charities and investigates charity abuse, maladministration and fraud. The Secretariat does not routinely liaise with the Charity Commission to establish whether it knows of any reason why the applicant should not be registered by the Board. The Board considered its current arrangement of contacting the Charity Commission only where there was a clear need to do so was sufficient, especially as there were only limited grounds on which it could refuse to register a society to run a lottery. The Charity Commission told us that it would be happy to discuss with the Board the particular circumstances when it might be appropriate for the Board to check applications for registration with them.

4.22 Applicants seeking certificates to take up senior positions in the casino and bingo industry, and to supply gaming machines, must declare, amongst other things, any company offences, winding up petitions and bankruptcies. The Secretariat does not crosscheck the applicant's declaration with the agencies concerned or with credit agencies. The Gaming Board considered that such checks, even on a sample basis, would absorb staff resources when they had no

evidence that the level of existing checks was inadequate. It also felt that there would be difficulties in obtaining useful information on the grounds of confidentiality. We note, however, that a list of disqualified directors is available on the Internet, and that the Department of Trade and Industry maintain a hotline to check for undischarged bankrupts, which would allow checks to be carried out speedily and without undue cost.

Local Authorities

4.23 Local authorities are responsible for regulating gaming machines sited in non-licensed premises and small lotteries. In the Gaming Board’s experience most local authorities do little with reports of illegal gaming and, perhaps as a result of this, we found that liaison between individual Inspectors and the local authorities in their areas was patchy. Examples of particularly fruitful co-operation, however, were a series of recent raids in North London and the West Country on premises operating poker machines illegally, involving the Board, Police, Trading Standards Officers and HM Customs and Excise. During the course of our visit to one of the Inspectorate’s regional offices, the Inspector was able to identify sites, for example, mini cab offices and cafes where gaming machines were sited illegally. The Inspector said that usually the local authorities did not have the staff resources to take action or decided that it would not be cost effective to do so in individual cases, given the low financial penalties provided by current legislation.

Working with the industry

4.24 In 1968, during the passage of the Gaming Bill, there was some discussion to the effect that gaming clubs “would find it in their own interest to see that games were properly run, with their own supervisors”⁴. However, self regulation was not seen as a serious option and, as a result, the regulatory powers of the Gaming Board were considerably strengthened. At the time of the Gaming Act 1968, the casino industry comprised an independent patchwork of some 1,500 casinos. This has since reduced to around 120, of which 75 per cent are owned by six public limited companies, with other interests in gaming, including bingo clubs and betting shops. All these companies carry out self regulation to some extent, not only for internal control purposes but to protect their gaming licences, the loss of which would have major commercial consequences for them.

4 Under-Secretary of State, Home Office, Dick Taverne MP, House of Commons, Official Report Column 575, 4.4.1968

4.25 Self regulation is not confined to the casino industry. All large and some small groups of bingo operators have their own audit teams who visit their clubs to carry out compliance checks. In addition, bingo clubs are subject to supervision by their head offices involving monitoring of returns. The National Bingo Game has its own Inspectorate, who visit clubs playing the national game at least once a year for two weeks. At present, there are no arrangements in place for operators carrying out self regulation to share their findings with the Gaming Board. Such information would help the Board to determine how much effort it needed to put into inspecting the operators concerned. It would need first to satisfy itself as to the quality of the operators' self regulation and the related internal controls, but the cost of doing so could be well justified by savings in the scale of the Board's own inspections.

Recommendations

The Gaming Board should:

- continue to develop its links with HM Customs and Excise, including the mutual exchange of relevant information, two-way secondments and attendance of Board staff at appropriate HM Customs and Excise training programmes. It should consider a Memorandum of Understanding with HM Customs and Excise that sets out the principles on which their mutual co-operation will be based;
 - keep the Association of Chief Police Officers informed of any pattern of inaction by the police in dealing with the Board's evidence of breaches of gaming legislation, reporting to the Home Office as necessary;
 - continue its efforts to raise police awareness of its work, and discuss with the Association of Chief Police Officers whether the role and responsibilities of the Board should feature in the training syllabus of police officers;
 - take the opportunity of ongoing discussions with the Criminal Records Bureau to consider establishing a service level agreement with the Bureau for the category of applicants whose criminal records the Board continues to monitor. The agreement should set out the level of checks to be carried out and the cost;
 - bring to the attention of the Department of the Environment, Transport and the Regions any persistent failure on the part of local authorities to act on information on possible breaches of gaming legislation in their localities; and
 - discuss with operators arrangements for obtaining the results of their regulatory checks, and the format in which this information should be provided to be of most use to the Board. In considering the use of such information, the Board should assess the adequacy of the operators' internal controls. Subject to that, the information should be used to determine the frequency and extent of Board inspections of the operators along with other relevant factors.
-

Intelligence gathering

4.26 The Inspectorate's April 1998 report – the Need for Change (paragraph 2.12) – noted that the collection of intelligence on gaming was patchy and uncoordinated. Since then, the Inspectorate has defined responsibilities for intelligence gathering and put overall responsibility for it in the hands of a Senior Inspector. The Inspectorate has been working on a database for storing intelligence data and this came into use in May 2000.

4.27 In 1999, the Gaming Board decided to place one of its Inspectors in the headquarters of the National Criminal Intelligence Service, on a permanent, full time basis. The Service, amongst other things, assesses the threat from serious and organised crime. The Board believes that putting the Inspector there will improve its ability to mount complex enquiries into applications from those wishing to provide gaming or to work in the gaming and lottery industries.

4.28 The Gaming Board has made contact with a number of other organisations for the purpose of intelligence gathering including: the Financial Fraud Information Network and the Joint Action Group on Organised Crime but, as yet, arrangements for routine exchange of information have not been established. The Board would also like to develop links with the regulatory arms of the Stock Exchange, the Financial Services Authority and the Institute of Chartered Accountants in England and Wales. The provisions of the Financial Services Act 1986, however, do not permit the Board to receive information obtained by these organisations as part of their regulatory functions.

The Internet

4.29 A new issue for the Gaming Board is the Internet's ability to offer unregulated, unlicensed and low tax gambling. The potential for the loss of large sums of money, and the related tax revenues, to Internet gambling has been one of the reasons for the Board's call for a review of existing gambling legislation. There may, however, be scope for constructive use of the Internet to monitor developments in gaming and gambling, although the Gaming Act 1968 restricts the ability of casinos to advertise themselves. The Board has conducted a full scale study of Internet gambling and has recently reported its findings and recommendations to the Home Office.

Recommendations

The Gaming Board should:

- continue to pursue the work it has begun on monitoring intelligence gathering across the Inspectorate's regions, the type of information being collected and the purposes for which it is being used. The Board might also consider commenting on the impact of its intelligence gathering, as appropriate, in its Annual Report;
 - identify those organisations with whom the mutual exchange of intelligence would be beneficial and establish appropriate reporting arrangements, including by computer links;
 - where the mutual exchange of relevant information is prevented by legal or other barriers, discuss possible remedial action with the Home Office; and
 - use the Internet as a source for gathering intelligence on developments in the gaming industry and for monitoring the risk of criminal involvement posed by unregulated gaming on the Internet, reporting to the Home Office as appropriate.
-

Part 5: Fees charged to the gaming and lottery industries

5.1 The Home Office, in consultation with the Gaming Board, sets fees for the various licences, certificates and registrations required by the gaming industry before it can legally operate. The fees are intended to cover the costs of the Home Office, the Gaming Board, licensing justices and police authorities in regulating the gaming and lottery industries. This part of the report considers:

- whether fees have been set at a level to recover the costs of regulating the gaming and lottery industries; and
- whether the fee structure involves any cross-subsidy between the different sectors of the industry.

In carrying out our examination, we had regard to relevant guidance set out in The Fees and Charges Guide produced by the Treasury (Figure 5(a)).

Figure 5(a)

Extracts from the Fees and Charges Guide produced by the Treasury

The Fees and Charges Guide states that:

- the normal presumption is that fees for statutory services should be set to break even with a cost of capital employed of 6 per cent;
- it is the responsibility of the body concerned to review its fees in good time before the beginning of each financial year and to set them so as to break even;
- bodies which are fixing charges in cases where some of the relevant costs are incurred by other bodies should ensure that the information they receive about these costs is the best that can be provided;
- the normal presumption is that, where legally possible, fee levels for statutory services should be set to recover past deficits by means of an Order made under Section 102 of the Finance (No. 2) Act 1987; and
- different statutory services should normally be treated separately and the fees set to recover the full costs of each.

Recovery of costs

Findings

In each of the five financial years 1994 to 1999, the costs of regulating the gaming and lottery industries exceeded income from fees. The estimated shortfall totalled £1.3 million.

Because of the lack of reliable data, particularly in relation to the recoverable costs of licensing justices and police authorities, it is impossible to say whether £1.3 million represents the full extent of the under recovery. There are currently no plans to recover the deficit from the gaming and lottery industries.

5.2 Treasury policy is that the costs of the Gaming Board and the related work of the Home Office, licensing justices and police authorities should be recovered from fees levied on the gaming and lottery industries. The Board reviews the level of fees annually and submits proposals for any increases to the Home Office for its consideration.

5.3 Our examination of Gaming Board papers for the five financial years 1994 to 1999 indicated that Treasury policy of full cost recovery was not being achieved. The lack of complete and reliable data made it difficult to determine the position precisely, but in each of the years in question the costs of regulating the gaming and lottery industries clearly exceeded fee income, with the shortfall totalling an estimated £1.3 million (Figure 5(b)).

Estimated under-recovery of the costs of regulating the gaming industry 1994-95 to 1998-99

Figure 5(b)

Year	Estimated surplus/(deficit)		
	Gaming £'000	Lotteries £'000	Total £'000
1994-95	(45)	(168)	(213)
1995-96	50	(160)	(110)
1996-97	(263)	(72)	(335)
1997-98	(69)	(130)	(199)
1998-99	(393)	(70)	(463)
Total	(720)	(600)	(1,320)

Source: Gaming Board Annual Reports and internal papers

5.4 The Gaming Board accepted that the deficit was probably in the order of £1.3 million but did not believe that the figure was sufficiently robust to form the basis of any extensive clawback from the gaming and lottery industries. The Board told us that before 1998-99 the out-turn figures available to inform the following year's fee setting exercise tended to be "rough and ready". It did not mount an extensive exercise to calculate the figures more accurately because they were not published and the Board was unaware of the normal presumption of recovering past deficits, as stated in the Fees and Charges Guide issued by the Treasury. The Board published an out-turn account for the first time in 1998-99 and considers that such accounts will provide a more reliable basis for determining future fee levels.

5.5 Figure 5(b) shows that just under half of the deficit relates to the lottery industry. The Gaming Board told us that, in earlier years, gaming fees had subsidised lottery fees. This policy was stopped but Ministers accepted that it would be unreasonable to increase lottery fees all at once by the very large amounts that would be needed to eliminate the deficit. They agreed, therefore, that elimination should be achieved over a five-year period and that, in the meanwhile, the deficit could be met from public funds.

5.6 At £600,000, the cumulative lottery deficit is larger than the total annual expenditure on regulating lotteries. Fees would therefore have to be increased by more than 100 per cent for one year, or over 15 per cent a year over five years, to effect recovery. Recovery action would affect some lotteries which were not registered with the Board when the deficit accrued.

5.7 The Home Office told us that estimating fee income from gaming was “not an exact science”. The failure, in particular, of casino licences to increase in line with expectations could have a major immediate impact on income whilst expenditure was largely fixed in the medium term. The Gaming Board attributed the 1998-99 deficit of £463,000 (Figure 5(b)) to, among other factors, a shortfall in receipts, technical changes arising from a shift to accruals accounts and increased expenditure on information technology.

5.8 The Home Office is responsible for any action to recover past shortfalls in fee income. This requires an Order to be made under Section 102 of the Finance (No. 2) Act 1987 specifying that past deficits should be taken into account in setting fees. The Home Office has no immediate plans to seek Ministerial approval to laying such an Order before the House of Commons.

Recovery of other agencies' costs

5.9 We found that the lack of reliable data was particularly marked in respect of the recoverable costs of licensing justices (magistrates' courts in England and Wales) and police authorities.

5.10 The Home Office is responsible for ensuring that the fees levied on the gaming and lottery industries recover the relevant costs of the licensing justices and the police. The work of licensing justices includes deciding applications for licences to carry out casino and bingo gaming and for permits to operate gaming machines in licensed premises. Relevant police work includes providing the

Gaming Board with reports, around 3,000 a year, on all new applicants for its certificates. Police licensing officers also attend hearings of licensing justices and visit proposed new casinos to carry out checks.

5.11 For 1998-99, the Home Office estimated the costs of the licensing justices and the police at £173,000 and £47,000 respectively. These costs are based on an Organisation and Methods work study carried out in 1983, increased in line with inflation. Exceptionally, in 1995-96 police costs were increased by 40 per cent. This was an estimate of the increase needed as the Home Office felt unable to justify a detailed costing exercise to determine the actual increase required.

5.12 The Lord Chancellor's Department told us that it planned to review the fees charged for all civil work in magistrates' courts, including licensing. This was because the fees had not been reviewed for several years and it believed that there was a wide gap between the costs of the business and the fees received. In addition, year-on-year, the disparity between fees charged in the magistrates' courts and those charged by the Court Service continued to increase. The Lord Chancellor's Department said that it had not yet started the review due to other, more pressing, business priorities. When it did, the aim would be to conduct a fundamental overhaul of the basis for fees to bring them more into line with the Court Service. As part of that, it planned to develop a costing model so that the actual cost per business process can be established to facilitate a move to full cost recovery where possible.

5.13 The Home Office last considered police costs in relation to regulating the gaming industry in 1994 but told us that so far it had been unable to determine a rational method of measuring or allocating the costs involved. The proposed Criminal Records Bureau (paragraph 4.16) will charge the Gaming Board for police reports on the basis of the level of checks requested. The Home Office, in conjunction with the Board, will need to ensure that these costs are fully recovered from the gaming and lottery industries.

Cross-subsidisation

Findings

The fees levied on the machine, bingo and lottery sectors of the industry are insufficient to recover the costs of regulating them and are subsidised by the fees levied on casino gaming. Progress in eliminating the cross-subsidy in the lottery industry has been slower than planned. There are no plans to eliminate the cross-subsidy in the other sectors of the gaming industry.

5.14 The Fees and Charges Guide produced by the Treasury makes it clear that each statutory service should normally be separately costed and charged for (Figure 5(a)). Traditionally, the Gaming Board has kept lottery fees as low as

possible because many are run for charitable purposes and because it was thought that they would not be able to meet the full cost of regulation. As a result, lotteries were subsidised by the fees levied on the other sectors of the gaming industry, in particular those for casino licences (paragraph 5.5 above). In 1995, the deficit was £168,000 (Figure 5(b)). To lessen the impact on lotteries, Ministers agreed to eliminate the cross-subsidy over five years. However, progress has been slower than intended because of a fall in the number of new lotteries being registered and a consequent reduction in income from lotteries. The cross-subsidy is currently in the region of £51,000 (Figure 5(c)). The Home Office estimates that lotteries should break even in 2001-2002.

5.15 Figure 5(c) shows that fees from casino gaming are also subsidising fees levied on machine and bingo gaming. As casino, bingo and machine gaming are effectively in the same gaming sector and covered by the same regulatory legislation, the Gaming Act 1968, the Gaming Board had not understood that each statutory service should normally be treated separately and fees set to recover the full cost of each service. The Home Office told us that the need to reduce the cross-subsidies would be taken into account in future fee revision exercises. Steps would also be taken to improve the accuracy of fee setting.

Analysis of estimated under/over recovery of costs across gaming sectors 1999-2000

Figure 5(c)

The table below shows the estimated under and over recovery planned for 1999-2000 based on the fees set.

Gaming Sector	Estimated income £'000	Estimated costs £'000	Difference £'000
Machines	258	717	(460)
Casinos	1,573	948	625
Bingo	783	951	(167)
Lotteries	304	355	(51)
Certificates of Approval	398	646	(248)
Club registration	330	55	275

Source: Gaming Board financial data

Recommendations

- The Home Office should discuss with the Treasury action to recover the deficits on fee income incurred in previous years.
 - The Home Office, in conjunction with the Lord Chancellor's Department where appropriate, should agree a reliable basis for determining the costs of licensing and police authorities to be recovered from the gaming industry.
 - The Home Office should take action to eliminate the cross-subsidy of lotteries by 2001-2002.
 - The Home Office should set a timetable for eliminating the cross-subsidy of the bingo and machine sectors of the gaming industry by the casino industry.
-

Appendix 1

Recommendations

1 The Gaming Board should develop more formal, systematic techniques for assessing risk in the different sectors of the industry. In deciding on the frequency of regular inspections, it should take into account, for example, the outcome of previous inspections, the results of the operator's own compliance activities where these are available, any significant changes in turnover, and the quality and experience of the operator's management and staff. Over time, the frequency of regular inspections should also take into account the coverage provided by the Board's introduction of major reviews, thematic inspections and head office inspections (paragraphs 2.4 to 2.16)

2 The Gaming Board should take steps to improve its computerised inspection records so that they can be used, for example, to help inform risk assessment. As a minimum, the records should clearly identify the reasons for the inspection, the findings, including the number and type of infractions uncovered, how and by whom they were detected, the advice given and whether this was oral or in writing (paragraphs 2.17 to 2.26).

3 The Gaming Board should require the Inspectorate's regions to measure the cost of their inspections and investigate any significant differences in unit costs (paragraphs 2.28 and 2.29).

4 The Gaming Board should consider the suitability of the measures identified by the National Audit Office for determining the Inspectorate's effectiveness (paragraph 2.30).

5 The Gaming Board should, in conjunction with the Home Office, consider possible options for attracting a wider range of qualified candidates for Inspector vacancies. One option might be a smaller but more highly paid and skilled Inspectorate (paragraphs 2.31 to 2.35).

6 The Gaming Board should, in view of the fact that a significant minority of applications for the Board's certificates and the registration of lotteries are not processed on time by the Secretariat, consider whether any changes are needed to the Secretariat's working practices and/or its performance targets (paragraphs 3.5 and 3.6).

7 The Gaming Board should, in the light of the apparent discrepancies in reporting performance identified by the National Audit Office, check the methods used by staff to compile performance data and consider whether any additional guidance and/or training is needed by Secretariat staff in compiling this data (paragraph 3.7).

8 The Gaming Board should consider whether internal audit assistance is required to validate the systems for compiling performance data (paragraph 3.7).

9 The Gaming Board should consider, in the light of the planned establishment of the Criminal Records Bureau, the frequency and extent of the criminal records checks needed into applicants for Certificates of Approval, and whether the responsibility for some checks should be devolved to their employers (paragraph 3.13).

10 The Gaming Board should consider for certain types of certificates, for example those required by existing employees moving within the industry, whether both the criminal records checks and the issue of the certificate should be devolved to the employer. Legislative changes would be needed before employers could issue certificates (paragraph 3.14).

11 Given that there are six different types of Certificate of Approval, the Board should first consider the scope for rationalising the certification of employees in the gaming industry (paragraph 3.15).

12 The Gaming Board should consider external recruitment of staff from the private sector and advertise secondment vacancies to the whole of the Civil Service rather than to just the Home Office (paragraphs 3.16 to 3.19).

13 The Gaming Board should continue to develop its links with HM Customs and Excise, including the mutual exchange of relevant information, two-way secondments and attendance of Board staff at appropriate HM Customs and Excise training programmes. They should also consider a Memorandum of Understanding with HM Customs and Excise that sets out the principles on which their mutual co-operation will be based (paragraphs 4.2 to 4.7).

14 The Gaming Board should keep the Association of Chief Police Officers informed of any pattern of inaction by the police in dealing with the Board's evidence of breaches of gaming legislation, reporting to the Home Office as necessary (paragraphs 4.9 and 4.10).

15 The Gaming Board should continue its efforts to raise police awareness of its work, and discuss with the Association of Chief Police Officers whether the role and responsibilities of the Board should feature in the training syllabus of police officers (paragraphs 4.11 and 4.12).

16 The Gaming Board should take the opportunity of ongoing discussions with the Criminal Records Bureau to consider establishing a service level agreement with the Bureau for the category of applicants whose criminal records the Board continues to monitor. The agreement should set out the level of checks to be carried out and the cost (paragraphs 4.14 to 4.16).

17 The Gaming Board should bring to the attention of the Department of the Environment, Transport and the Regions any persistent failure on the part of local authorities to act on information on possible breaches of gaming legislation in their localities (paragraph 4.23).

18 The Gaming Board should discuss with operators arrangements for obtaining the results of their regulatory checks, and the format in which this information should be provided to be of most use to the Board. In considering the use of such information, the Board should assess the adequacy of the operators' internal controls. Subject to that, the information should be used to determine the frequency and extent of Board inspections of the operators along with other relevant factors (paragraphs 4.24 and 4.25)

19 The Gaming Board should continue to pursue the work it has begun on monitoring intelligence gathering across the Inspectorate's regions, the type of information being collected and the purposes for which it is being used. The Board might also consider commenting on the impact of its intelligence gathering, as appropriate, in its Annual Report (paragraph 4.26).

20 The Gaming Board should identify those organisations with whom the mutual exchange of intelligence would be beneficial and establish appropriate reporting arrangements, including by computer links (paragraph 4.28).

21 Where the mutual exchange of relevant information is prevented by legal or other barriers, the Gaming Board should discuss possible remedial action with the Home Office (paragraph 4.28).

22 The Gaming Board should use the Internet as a source for gathering intelligence on developments in the gaming industry and for monitoring the risk of criminal involvement posed by unregulated gaming on the Internet, reporting to the Home Office as appropriate (paragraph 4.29).

23 The Home Office should discuss with the Treasury action to recover the deficits on fee income incurred in previous years (paragraphs 5.3 to 5.8).

24 The Home Office, in conjunction with the Lord Chancellor's Department where appropriate, should agree a reliable basis for determining the costs of licensing and police authorities to be recovered from the gaming industry (paragraphs 5.9 to 5.13).

25 The Home Office should take action to eliminate the cross-subsidy of lotteries by 2001-2002 (paragraph 5.14).

26 The Home Office should set a timetable for eliminating the cross-subsidy of the bingo and machine sectors of the gaming industry by the casino industry (paragraph 5.15).

Appendix 2

Summary of the Gaming Board's main functions and powers

Gaming

The Gaming Board:

- investigates applicants who wish to provide gaming and may issue a Certificate of Consent to enable them to apply to the licensing authorities for a gaming licence;
- is empowered to advise the licensing authorities on the demand for gaming facilities and the authorities are required to take account of that advice in determining whether a licence should be granted;
- can, if it so wishes, oppose an application for the grant or renewal of a licence to provide gaming;
- investigates applicants who wish to take up certain employment in the gaming industry and may issue a Certificate of Approval to enable them to do so;
- investigate applicants who wish to sell, supply and/or maintain gaming machines and may issue a gaming machine certificate to enable them to do so; and
- may revoke a certificate if it believes that the certificate holder is no longer a fit and proper person to be involved in the gaming industry. There is no appeal against the Gaming Board's decision to revoke, other than to seek a judicial review.

Lotteries

The Gaming Board:

- investigates applicants who wish to run certain larger lotteries and local authority lotteries, which must be registered with the Board before they can operate;
- investigates applicants who wish to act as an external lottery manager on behalf of other organisations and may issue a lottery certificate to enable them to do so; and
- is empowered to examine any aspect of the management of a lottery which it has registered, to examine relevant documents and take copies as appropriate.

Appendix 3

Study methodology

Questionnaire survey

1 We undertook a questionnaire survey of casino and bingo club managers and gaming machine suppliers to obtain their views of Gaming Board inspection visits. The survey methodology and results are set out in Appendix 4.

Secretariat

2 We interviewed staff in the Gaming Board's Secretariat about the arrangements for processing applications from those seeking the certification/registration necessary to provide gaming, take up certain employment in the gaming and lottery industries and run larger society and local authority lotteries. We followed this up with an examination of a sample of 130 cases, selected on a judgmental basis, covering new applications, renewals, refusals and revocations of existing certificates. We also considered whether written guidance to staff was comprehensive and examined the Secretariat's management information to validate published performance in processing applications against target deadlines.

Visits

3 We visited the five regional offices of the Gaming Board's Inspectorate to discuss with Senior Inspectors the work and organisation of their offices. We also accompanied the Inspectors on a number of visits to gaming operators to learn more about how they carried out their work.

4 We examined a sample of inspection records for 1998-99 in four of the Inspectorate's five regions selected from their computer databases. We supplemented this with an examination of relevant manual records held in the Inspectorate's headquarters.

(a) Casinos

From a total of 119 casinos, we selected 32 using systematic, interval sampling and examined the visit records for each of these casinos – 497 visits in all. This represented around 24 per cent of the total number of visits (2,098) made in 1998-99.

Region	Number of casinos	Number of casinos in sample	Number of visits to casinos in sample
South East	34	8	130
South West	20	8	197
Northern	24	8	99
Scottish	15	8	71
Midlands	26	-	-
Total	119	32	497

(b) Bingo clubs

From a total of 787 bingo clubs, we selected 188 using systematic, interval sampling and examined the visit records for each of these clubs – 516 visits in all. This represented around 21 per cent of the total number of visits (2,492) made in 1998-99.

Region	Number of casinos	Number of bingo clubs in sample	Number of visits to bingo clubs in sample
South East	126	50	112
South West	148	50	181
Northern	180	52	100
Scottish	146	36	123
Midlands	187	-	-
Total	787	188	516

(c) Gaming machine suppliers

The Inspectorate made 284 visits to gaming machine suppliers in 1998-99. We examined the records relating to 84 visits (30 per cent), selected using systematic, interval sampling.

Region	Number of visits in sample
South East	20
South West	24
Northern	20
Scottish	20
Midlands	-
Total	84

5 We examined the visit records with the aim of forming a view about the level of compliance in the gaming industry based on the Inspectorate's findings. The Inspectorate does not categorise the results of its visits so we devised our own classification:

- no evidence of findings;
- enquiries or advice related to Certificates of Approval (Figure 3(c));
- discussions with management on miscellaneous topics;
- oral advice to management on minor problems or infractions;
- written reports arising from Inspector's findings;
- written reports arising from information received from casino management;
- written reports arising from information from other informants; and
- written reports arising from other/unknown reasons.

6 Many of the records examined contained little detail relating to the purpose or results of the visits. Using what information they did contain, we allocated each visit to one of the above categories. In making the allocations, we judged there to have been some outcome of a visit wherever there was any evidence at all to support it. The category “written reports” covers any kind of document produced as a result of a visit, including internal Inspectorate minutes and letters to the casinos/clubs visited. The results of our analyses of the visit records are set out in Figures 2(g) and 2(h) of the report.

Fees

7 To establish whether fees levied on the gaming industry were fully recovering the cost of regulation we:

- examined the Gaming Board’s system for calculating fees, including comparing its approach with Treasury guidance;
- discussed with officials in the Home Office and the Lord Chancellor’s Department the basis for the estimated costs of licensing justices and police in relation to regulating the gaming industry, and examined relevant papers;
- discussed with selected licensing officers in the police and magistrates’ courts the estimated amount of time they devoted to licensing the gaming industry.

We concluded from our examination – which covered the five financial years 1994 to 1999 – that around £1.3 million of costs had been under-recovered from the gaming industry. And that fees levied on the casino industry were subsidising the fees levied on other sectors of the industry, despite Treasury guidance that cross-subsidisation should be avoided.

Trade organisations

8 To learn more about the gaming and lottery industries, we consulted a number of trade organisations:

- British Casino Association
- Bingo Association

- BACTA (the trade association for the coin operated amusement machines industry)
- Lotteries Council

Industry operators

9 To familiarise ourselves with the workings of the gaming and lotteries industries and to test our planned survey of operators, we held discussions with head office staff of two major operators: Rank Entertainment Ltd and Gala Clubs; and visited:

- casinos in London: Golden Nugget (London Clubs International); Victoria (Rank); Ritz Hotel (independent); Aspinalls (independent);
- other casinos: Stanley, Leicester; Castle Hill, Dudley (independent); Grosvenor, Manchester; Riverboat, Glasgow (Ladbroke); North Rotunda, Glasgow (independent); Les Croupiers, Cardiff (independent);
- bingo clubs: Beacon Bingo and Social Club, London; The Buckingham, Walkden; County Bingo, Coatbridge; Castle Bingo, Cardiff; Riva, Feltham;
- gaming machine suppliers: Bexley Automatics; G Hope Auto, High Wycombe; Crown Leisure, Preston; KE Automatics Limited, Kirkcaldy; Abergavenny Coin and Leisure;
- lotteries: Premier Instant Society, London; Starvale, Preston; St Mirren Improvement Association, Paisley; Whale and Dolphin Conservation Society, Bath.

Police, local licensing authorities and licensing magistrates

10 We contacted selected members of the police, local licensing authorities and clerks to licensing magistrates to learn more about their work in relation to the gaming industry:

- Metropolitan Police Clubs and Vice Unit;

- Police licensing officers at Gravesend, Manchester, Perth and Bristol;
- Clerks to licensing magistrates in Bristol, Reading, Manchester and Westminster;
- Licensing clerk, Edinburgh City Council;
- Blackpool Borough Council Licensing Department;
- Lewisham City Council Licensing Section;
- Reading Borough Council Licensing Section; and
- Southend Borough Council Trading Standards Department.

Overseas regulators

11 We surveyed five overseas regulators for details of how they went about regulating the gaming industry in their countries:

- Netherlands Gaming Control Board;
- State Office for Gaming Supervision, Ministry of Finance, Slovenia;
- Swedish Gaming Board;
- Swiss Gaming Board, Federal Office for Police Matters (Switzerland); and
- Victoria Casino and Gaming Authority, Australia.

There were a number of differences between these regulatory bodies and the Gaming Board that made meaningful comparisons difficult. The legislation underpinning the work of the Gaming Board was designed to purge the industry of criminal activity, whereas the motives behind gaming legislation in Victoria, for example, included the State Government's desire to promote tourism and increase

State revenues. Other differences included the size of the industries regulated, and the fact that in Great Britain casino gaming is limited to members whereas in some other countries no such restrictions apply.

Other contacts

12 During the course of our study, we spoke to other people and organisations with an interest in, and knowledge of, the gaming industry including:

- Professor Neville Topham of the Centre for the Study of Gambling and Commercial Gaming at Salford University;
- Gamcare, the national association for gambling care, educational resources and training; and
- Steve Donoughue, gambling industries consultant for KPMG Consulting.

Appendix 4

National Audit Office survey of casinos, bingo clubs and gaming machine suppliers

We conducted a survey of 549 operators in the gaming industry for their views on how the Gaming Board's Inspectorate carries out its inspection visits including:

- all 119 casinos;
- 216 out of 787 bingo clubs; and
- 214 out of 800 gaming machine suppliers.

Bingo clubs and machine suppliers were selected using systematic (interval) sampling. We received responses from 90 casino managers (76 per cent), 114 bingo club managers (53 per cent) and 90 gaming machine suppliers (42 per cent).

This Appendix aggregates and summarises the responses to our survey, and is set out using the format of the questionnaire the operators received.

General

How many people are employed in your club/society/firm? (Please give local figures for your establishment if you work for a national company.)

	Bingo Clubs (%)	Casinos (%)	Machine Suppliers (%)	All (%)
0	1	0	5	2
1 to 10	10	0	72	26
11 to 50	59	6	14	29
51 to 100	20	52	1	24
100 to 300	5	36	1	13
More than 300	2	2	2	2
No reply	3	4	5	4

How many times have Inspectors visited your premises in the last 12 months?

	Bingo Clubs	Casinos	Machine Suppliers	All
Average (mean)	4	17	1	7
Average (median)	4	16	1	4
Minimum	0	3	0	0
Maximum	12	41	15	41

Note: Four bingo clubs, nine casinos and four machine suppliers did not respond to this question.

Are you aware of illegal gaming in your area?

	Bingo Clubs (%)	Casinos (%)	Machine Suppliers (%)	All (%)
Yes	11	14	12	12
No	88	86	87	87
No reply	1	0	1	1

Do you provide information on the Gaming Board to members/customers?

	Bingo Clubs (%)	Casinos (%)	Machine Suppliers (%)	All (%)
Yes	53	62	34	50
No	46	38	62	48
No reply	1	0	4	2

Visits by the Gaming Board Inspectors

1. Inspectors are sufficiently knowledgeable to know whether my business is conducted legally in accordance with regulations, fairly and properly.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	2	0	0	1
Disagree	3	0	0	1
No opinion	2	2	2	2
Agree	53	59	67	59
Strongly agree	40	38	31	37
No reply	0	1	0	0

2. Inspectors have demonstrated the necessary commercial knowledge to carry out their regulatory and monitoring duties effectively.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	1	0	0	0
Disagree	3	6	0	3
No opinion	6	12	9	9
Agree	68	59	67	65
Strongly agree	21	23	24	23
No reply	1	0	0	0

3. When Inspectors arrive they clearly explain the purpose of their visits.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	2	0	0	1
Disagree	13	28	0	13
No opinion	8	9	3	7
Agree	58	54	75	62
Strongly agree	19	8	22	17
No reply	0	1	0	0

4. Inspectors carry out their examinations in a courteous manner and take full account of any explanations I offer.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	1	0	0	0
Disagree	3	1	0	1
No opinion	3	0	2	2
Agree	55	56	63	58
Strongly agree	38	43	35	39
No reply	0	0	0	0

5 At the end of their visit, Inspectors always give me a verbal debriefing on the areas examined and any findings.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	2	3	0	2
Disagree	10	24	0	11
No opinion	7	12	8	9
Agree	61	48	69	59
Strongly agree	20	12	22	18
No reply	0	1	1	1

6. Inspectors examine all areas of regulatory significance for my business.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	5	0	0	2
Disagree	11	8	1	7
No opinion	8	3	8	6
Agree	60	69	66	65
Strongly agree	16	20	25	20
No reply	0	0	0	0

7. Inspections are carried out in such a way as to minimise disruption to my business.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	1	0	0	0
Disagree	6	0	1	3
No opinion	4	1	6	3
Agree	54	61	66	60
Strongly agree	35	38	27	34
No reply	0	0	0	0

8. Inspectors are consistent in their application of regulations.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	4	0	0	2
Disagree	8	22	1	10
No opinion	14	13	9	12
Agree	53	46	63	54
Strongly agree	20	18	27	21
No reply	1	1	0	1

9. Inspectors give me useful guidance.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	0	0	0	0
Disagree	3	1	1	2
No opinion	12	13	9	11
Agree	52	61	63	58
Strongly agree	33	25	27	29
No reply	0	0	0	0

10. Inspectors deal fairly and appropriately with minor infringements of gaming legislation and codes of conduct.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	3	0	0	1
Disagree	1	3	0	1
No opinion	17	3	30	17
Agree	52	61	50	54
Strongly agree	27	33	18	26
No reply	0	0	2	1

11. Visits by Inspectors are useful in identifying improvements in my systems.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	1	2	0	1
Disagree	8	18	4	10
No opinion	30	29	29	29
Agree	46	44	49	47
Strongly agree	15	7	18	13
No reply	0	0	0	0

12. Significant infringements of regulations have been detected by Inspectors' visits.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	22	20	23	22
Disagree	27	45	18	29
No opinion	28	23	45	32
Agree	15	12	9	13
Strongly agree	3	0	1	1
No reply	5	0	4	3

13. Where Inspectors have investigated significant infringements, they have provided a written confirmation of findings.

	Bingo Club	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	5	1	7	4
Disagree	3	15	3	7
No opinion	60	56	68	61
Agree	13	12	11	12
Strongly agree	1	4	1	2
No reply	18	12	10	14

This confirmation is always provided promptly.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	4	0	0	2
Disagree	2	6	0	2
No opinion	52	51	65	56
Agree	13	16	10	13
Strongly agree	1	4	2	2
No reply	28	23	23	25

14. Inspectors' visits encourage compliance with gaming regulations.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	5	11	1	6
Disagree	6	23	4	11
No opinion	11	5	6	7
Agree	53	38	60	50
Strongly agree	24	23	28	25
No reply	1	0	1	1

15. Visits by the Gaming Board's Inspectors should be more frequent.

	Bingo Clubs	Casinos	Machine Suppliers	All
	(%)	(%)	(%)	(%)
Strongly disagree	4	7	2	4
Disagree	32	28	27	29
No opinion	47	55	52	51
Agree	10	8	15	11
Strongly agree	4	0	2	2
No reply	3	2	2	3

Appendix 5

Inspection Programmes

Casinos

Areas covered in Inspector's checklists for licensed premises

No ¹		No	
1.	Opening procedures	23.	Winners' cheques
2.	Fundamental principles	24.	Deposits
3.	Computerisation	25.	Table results
4.	Staff	26.	Cashier's daily reconciliation
5.	Signatures	27.	Count
6.	Stationery	28.	Dishonoured cheque records
7.	Gaming statistics and percentages	29.	Debt collection
8.	Parallel gaming records	30.	Reception and membership
9.	Gaming machines	31.	Money laundering procedures
10.	Gaming machine count	32.	Retention of records
11.	Card room	33.	General security
12.	Casino cash reserves	34.	Closing procedures
13.	Security of cash	35.	Section 19 enquiries
14.	Cashier's float	36.	Section 19 revocation enquiries
15.	Confirmation of floats	37.	Return from abroad enquiries
16.	Chip records	38.	Training school lecture
17.	Table floats	39.	Certificate of consent/licence enquiries
18.	Fills and credits	40.	Complaint enquiries
19.	Cheque transaction records	41.	With magistrates
20.	Cheques received and issued	42.	With police
21.	Cheque cashing facilities	43.	With other visitors
22.	House cheques	44.	Other

Note: 1. The checklist itemises by number each area of activity for inspection. Not all areas are covered in each inspection.

Source: The Gaming Board

Bingo clubs

Areas covered in Inspector's checklists for licensed premises

No ¹		No	
1.	Entrance	12.	Advertisements
2.	Membership	13.	Machines
3.	Guests	14.	Intoxicating liquor
4.	Licences	15.	Persons under 18
5.	Separation (of gaming from other facilities)	16.	Inspection
6.	Gaming for prizes	17.	Staff
7.	Bingo	18.	Levies on stakes or winnings
8.	Other games or competitions	19.	Security staff
9.	Entertainment	20.	Excise
10.	Linked bingo	21.	Conduct of premises
11.	Licensee	22.	Free draws

Note: 1. The checklist itemises by number each area of activity for inspection. Not all areas are covered in each inspection.

Source: The Gaming Board

Areas covered by Inspectors in major reviews of casinos

For each of the following areas of the detailed inspection programme, there are guidance notes, a questionnaire and a list of detailed tests.

Staff	Fills and credits
Accounts and internal audit department procedures	Cash desk procedures (general)
Stationery	Card room games
Reception procedure and membership control	Customers' cheques
Statistics and parallel records	House cheques
Table procedures and equipment	Club cheques
Gaming machines	Closing procedures (table)
Opening procedures	Closing procedures (cage)
Reserves of cash	Money laundering procedures
Chip control	

Source: The Gaming Board

Areas covered by Inspectors in head office inspections of casinos

Management accounts
Approval of credit and excess facilities
Bad debts
Win drop ratios
Staff
Minutes
Systems
Compliance
Overseas representation
Financial interests, controlling parties and investors
Club activities

Source: The Gaming Board

Appendix 6

Principles of good regulation

In 1997, the Government set up the Better Regulation Task Force “to advise the Government on action which improves the effectiveness and credibility of government regulation”. It will do this “by ensuring that regulation is necessary, fair and affordable, and simple to understand and administer, taking particular account of the needs of small business and ordinary people”. The Task Force has identified five principles which good regulation should satisfy. Our assessment below indicates that to meet the Task Force’s criteria, the Gaming Board’s regulatory framework would need to:

- have an appeals procedure;
- target its inspections more on known problems;
- tailor its routine inspections of individual operators to reflect the extent and quality of their self regulation; and
- introduce a range of sanctions that can be applied according to the seriousness of the offence.

Legislation would be required to introduce an appeals procedure and provide financial penalties.

Performance of the Gaming Board against principles of good regulation

Principles of good regulation	The Gaming Board
Transparency	
<ul style="list-style-type: none"> ■ Policy objectives including the need for regulation, are clearly defined and effectively communicated to all those concerned. 	<p>Since 1988, the Gaming Board has publicised its objectives under the Gaming Act 1968 and the Lotteries and Amusements Act 1976 in its Annual Reports. In 1996, as part of the Citizens Charter, the Board also published a leaflet setting out its role and responsibilities.</p>
<ul style="list-style-type: none"> ■ Regulations are simple and clear, and come with guidance in plain English. 	<p>The Gaming Board maintains close contact with the gaming industry through relevant trade associations, and agrees with them guidelines and codes of practice and interpretation of legislation, where necessary.</p>
<ul style="list-style-type: none"> ■ Those being regulated understand their obligations and know what to expect from the enforcing authorities. 	<p>Those wishing to apply for a licence to provide gaming or take up certain employment in the gaming industry must first be certified by the Gaming Board. Applicants must satisfy the Board on their knowledge of gaming legislation and convince it that they will be diligent in carrying out their responsibilities. The Board encourages operators to make clear in their employees' contracts of employment and conditions of service the types of offence that could result in revocation of their certification.</p>
Accountability	
<ul style="list-style-type: none"> ■ Regulators are accountable to government, citizens and Parliament. 	<p>The Gaming Board is accountable to Parliament through Ministers for its use of public funds and for its activities generally. It has limited measures to determine its performance against key objectives or the efficiency with which it uses its resources.</p>
<ul style="list-style-type: none"> ■ Proposals are published and all those affected consulted before decisions are taken. 	<p>The Gaming Board's governing legislation does not provide for an appeal against the Board's decisions, for example, to reject an application for certification or revoke a certification. The only remedy for the individual or organisation concerned would be to seek a judicial review and show that the Board had acted in a manner contrary to natural justice.</p>
<ul style="list-style-type: none"> ■ There is a well-publicised, accessible, fair and efficient appeals procedure. 	
Targeting	
<ul style="list-style-type: none"> ■ The approach taken is aimed at the problem and not scatter-gun or universal. 	<p>The Gaming Board's oversight of gaming centres around regular, routine inspection visits to operators, concentrating on the casino industry where experience has shown that the risk is greatest. The frequency of visits to individual casinos, however, is not determined by any formal risk assessment which takes into account, for example, the results of previous inspections. From the late 1990s, the Board introduced more focused inspections to supplement its routine inspection visits.</p>
<ul style="list-style-type: none"> ■ A goals-based approach is used where possible to allow for future flexibility; those being regulated must be left some freedom to decide how to achieve these goals. 	
<ul style="list-style-type: none"> ■ Regulations are reviewed from time to time to test whether they are still necessary and effective. If not, they should be modified or eliminated. 	<p>The main controls on gambling are laid down in the Betting, Gaming and Lotteries Act 1963, the Gaming Act 1968 and the Lotteries and Amusements Act 1976 and associated legislation. The last major review of this legislation was carried out in 1978 by a Royal Commission on Gambling but did not result in any major changes. Ministers approved some minor relaxation of the legislations' controls in the late 1990s under the Deregulation and Contracting Out Act 1994. In February 2000, the Government set up an independent body to review the legislation.</p>

Performance of the Gaming Board against principles of good regulation

Principles of good regulation

The Gaming Board

Consistency

- New regulations are consistent with existing regulations.
- There is even enforcement by the relevant authorities.

The National Lottery Act 1994 has highlighted the changes in cultural and social attitudes towards gaming since the passing of the Gaming Act 1968. One of the underlying principles of the latter Act is that gambling facilities should be sufficient, but not more than sufficient, to meet the unstimulated demand for them. As a result, it places wide-ranging restrictions on licensed casinos advertising; for example, they cannot do so on television. The National Lottery Act 1994 contains no such restrictions and the national lottery is able to make full use of mass media to promote itself.

Proportionality

- Alternatives to regulation are fully considered.
- The impact on all those affected by the regulation is identified, establishing the right balance between risk and cost; no needless demands on those being regulated – think small first.
- Any enforcement action (that is inspection, sanctions, etc) is in proportion to the seriousness of the offence.

Government policy underlying the Gaming Act 1968 was that if gambling was not strictly regulated it was susceptible to criminal activity because of the large sums of money that can be involved. Successive governments have generally supported this policy and, as a result, the strict controls contained in the Act have remained largely unchanged.

The Government's White Paper – Modernising Government – published in March 1999 – contained a commitment to remove unnecessary regulation of businesses whilst still maintaining protections necessary in the public interest. In keeping with this, the Government set up an independent body in February 2000 to consider the kind and extent of regulation appropriate for gambling activities in Great Britain.

Since the Gaming Act 1968, the gaming industry has become increasingly dominated by major public limited companies. The Gaming Board's inspections do not yet take into account, in any systematic way, the companies' own regulatory activities or those of other regulatory bodies who have an interest in the companies. As a result, there is duplication of effort. The Board's inspections confirm a high level of compliance by the industry and serious breaches of the legislation are rare. Most of the offences that result in the revocation of a gaming employee's certification, for example, are identified and notified to the Board by the employer.

The Gaming Board has no sliding scale of financial penalties to enable it to relate enforcement action to the seriousness of the offence committed. If, for example, the Board considers that the behaviour of a certified employee in the gaming industry requires disciplinary action it has two options: to limit itself to sending them a warning letter about their future conduct; or revoking their certification. Revocation would mean that the individual could no longer be legally employed in any post requiring the Board's certification until they had been recertified. The Board will not normally consider an application for recertification until at least 12 months after revocation.

Appendix 7

Gambling Review

The terms of reference for the gambling review announced by the Home Secretary in December 1999 are as follows:

- Consider the current state of the gambling industry and the ways in which it might change over the next 10 years in the light of economic pressures, the growth of e-commerce, technological developments and wider leisure industry and international trends.
- Consider the social impact of gambling and the costs and benefits.
- Consider, and make recommendations for, the kind and extent of regulation appropriate for gambling activities in Great Britain, having regard to:
 - the wider social impact;
 - the need to protect the young and vulnerable from exploitation and to protect all gamblers from unfair practices;
 - the importance of preventing gambling from being carried out in a way which allows crime, disorder or public nuisance;
 - the need to keep the industry free from infiltration by organised and other serious crime, and from money laundering risks;
 - the desirability of creating an environment in which the commercial opportunities for gambling, including its international competitiveness, maximise the United Kingdom's economic welfare; and
 - the implications for the current system of taxation, and the scope for its further development.

- Consider the need for, and, if necessary, recommend new machinery appropriate for, carrying out that regulation which achieves a more consistent and streamlined approach than is now possible and which is financed by the gambling industry itself.
- Consider the availability and effectiveness of treatment programmes for problem gamblers and make recommendations for their future provision, potential costings and funding.
- In conducting this review, the body should not consider changes to the National Lottery, but it will need to look at the impact on the Lottery of any proposed changes, including an assessment of the potential effect on the income to good causes.

Glossary

Term in report	Explanation
All cash machines	Slot machines with prizes of up to £15 payable in cash. Can be sited in public houses and other licensed premises or in amusement arcades and other venues where access by under 18s is restricted.
Amusement with prizes machines	Slot machines with jackpots of up to £8 payable in cash, cash and tokens or goods. Can be sited in unlicensed premises with a permit from the local authority.
Bingo club	A private members' club licensed under the 1968 Gaming Act and offering a game based on the random selection of numbers. Bingo can also be played in some registered clubs with restrictions on prize levels.
Cash/token machines	See "Amusement with prizes machines".
Casino	A private club offering members certain games of chance – typically roulette, Blackjack and Punto Banco.
Certificate of Approval	A certificate issued by the Gaming Board under section 19 of the 1968 Gaming Act for employment in casinos as croupiers, cashiers, supervisors, and senior managers; and in bingo clubs as managers.
Certificate of Consent	Individuals or companies wishing to apply to licensing authorities for a new bingo or casino licence must first obtain a Certificate of Consent from the Board.
Cross-subsidy	Where the assessed costs of providing a service to a particular group are met in part by charges made to other groups.
External lottery manager	A person/company which manages lotteries, scratchcards or other schemes on behalf of other organisations.
Fills and credits	Restocking of gaming tables with chips.
Full cost	The assessed costs of providing a service including pay and pension costs, overheads, depreciation, notional costs such as a provision for insurance, and a specified return on capital.
Gaming	The playing of a game of chance for winnings in money or money's worth. It does not include the making of bets by way of pool betting, lotteries or bets placed with bookmakers.

Gaming machines	Machines operated by cash or tokens where the outcome depends on chance. Also known as slot machines, fruit machines, and one arm bandits.
Gross gaming yield	Amount retained by operators after payment of winnings but before deduction of costs.
Jackpot machines	Slot machines with prizes of up to £1,000 sited in casino premises only, £500 in bingo clubs, and £250 in other clubs.
Licensing Authorities	Magistrates' courts in England and Wales (Licensing Committee of the relevant local authority in Scotland). Responsible for issuing annual gaming licences to casinos and bingo clubs, registering working men's institutes and issuing permits for the siting of gaming machines on premises licensed for liquor.
Lottery	A prize draw, scratchcards or any other competition which does not depend to a substantial degree on the exercise of skill.
Machine suppliers	Individuals or firms supplying gaming machines on hire to third parties or maintaining such machines. Does not include machine manufacturers.
Money laundering	Transferring money obtained from criminal activity to legitimate businesses so that the illegal source is not identified.
Pit boss	A person responsible to management for the smooth operation of a group of gaming tables in a casino.
Pool bet	A bet without fixed odds, and in particular where a prize can be split between all the winners. The best known form of pool betting is football pools.
Secretariat	The sections of the Gaming Board staffed by civil servants responsible for processing applications from those who wish to be involved in the gaming industry, and for administrative support to the Board.
Service level agreement	A written agreement between two public sector organisations specifying standards of service to be supplied.
Society	A charitable, sporting or cultural organisation able to operate lotteries under the 1976 Lotteries and Amusements Act.
Statistics and parallel records	Gaming records.

Win drop ratio

A primary measure of the performance of a casino. Casinos record the amount of money exchanged for chips (the drop) and used to redeem customers' chips at the end of the evening. It is not possible to measure the actual sums gamed in a traditional casino due to the frequency of bets placed.