

Report by the
Comptroller and Auditor General

The Gaming Board: Better Regulation

Ordered by the
House of Commons
to be printed 7 June 2000

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.