

# “Do you feel lucky?”



The old image of grungy, smoke-filled betting shops and mob-run casinos filled with dubious characters is, thankfully, long gone. George Clooney, Al Pacino and Sharon Stone have all done their bit to glamorise gambling and with the opening up of betting shop environments and the continued expansion of casinos, online betting and lotteries, gaming has become one of the most vibrant industries around. Today gambling has become a fairly mainstream hobby, enjoyed by a large percentage of the population in one form or another.

## Growth

Gambling is essentially a recession-proof industry, as while there may be marginal reductions in the level of stakes amongst casual players, the overall appetite for gambling is little affected. Furthermore, the use of mobile technologies, coupled with the growing availability of online betting services, has helped the industry grow by providing convenient and user-friendly methods of placing a bet.

The annual global gambling revenue is predicted to top US\$155 billion as early as 2012.

It is anticipated that the US will account for \$73.3 billion of this revenue whereas Europe, Middle East

and Africa will account for \$38.4 billion. The fastest growth is being experienced in Asia-Pacific region with growth of 15.2% annually, which means by 2012 this region should account for \$37.2 billion of revenue or around 24% of global gambling revenue. Canada is expected to see a jump from \$4.6 billion to \$6.2 billion, whilst Latin America is expected to rise from \$297 million to \$514 million.

This growth has inevitably led to increased interest from governments and regulators. The origins of modern gaming regulation can be traced to the 1931 Nevada “Wide Open Gaming Bill” and later to the establishment of



the Nevada Gaming Commission in 1959.

## Gambling Commission

The major elements of UK gaming legislation came into force in the

*“Guessing has never been widely acclaimed as a good gambling strategy.” Dr. G*

1960s, with the Gambling Act 2005 effectively consolidating and modernising that legislation for the 21<sup>st</sup> century. The 2005 Act established a Gambling Commission to regulate the industry; and, like its predecessors, the Commission is tasked with regulating gambling in the public interest.

The Gambling Commission has published Licence Conditions & Codes of Practice (LCCP) which regulate operators wishing to operate a gaming business in or from the UK. These typically cover arcades, betting, bingo, casinos, gambling software, gaming machines, lotteries, and all forms of remote gambling.

The requirements the Commission has established are wide-ranging, and extend to:

*Regulatory Return Forms* – A range of information requested from operators within the licensed gambling industry in order to monitor compliance with

gambling legislation, regulations and LCCP, and to inform their understanding of the industry.

*Compliance Information Document* – These outline compliance visits and risk assessments of an operator's ability to act consistently with the licensing objectives of the Commission.

*National Occupational Standards* – Licensed gambling operators need to ensure that the training they offer their staff meets these Standards. This is applicable whether the training is provided in-house or sourced from an external training provider.

*Various Technical Standards & Requirements* – All relevant equipment must conform to these and be tested to the appropriate Standard by an approved testing house.

The Commission has the power to review the performance of the licence holder and the operation of licence conditions. They also have a range of regulatory powers which may be used following a review of a licence in accordance with their enforcement process.

Operators who take a narrow approach, viewing compliance only in terms of their licence conditions, whilst disregarding the codes of practice and the requirements of the wider licensing objectives, risk regulatory action by the Commission. Equally, licensed operators and individuals who are uncooperative or less than open with the Commission can expect higher levels of regulatory intervention and enforcement action in the form of licence reviews.

### Use of technology

Companies are looking to technology to grow their share of gaming revenue. CIOs working in this arena have

***“Italians come to ruin most generally in three ways: women, gambling, and farming. My family chose the slowest one.” Pope John XXIII***

particularly demanding roles. Technology is at the forefront of the business; and whilst we have yet to witness any frauds as elaborate as some of those portrayed on the silver screen, security and availability concerns are paramount.

A number of denial of service attacks have hit leading bookmakers over the last few years. These, along with the ongoing battle against would-be cheats, have led to more and more elaborate mechanisms to counter such attempts.

One controversial system which

the organisations funding application development in the NORA area is In-Q-Tel, the venture capital arm of the CIA.

For some bookmakers, online gambling is only part of the picture. They have a significant number of outlets through other channels and rely on effective technology to show them the overall business outlook across all their delivery channels.

### Legislation

As well as ensuring the IT function is secure and reliable, CIOs now have to contend with the legislation.

Many CIOs are still not clear about the detailed requirements they will have to meet. Some have started preparing by consolidating and streamlining their applications and systems.

They will subsequently require high



addresses this issue is NORA, or Non-Obvious Relationship Analysis, which pieces together information about employees such as former addresses, education, past employment and certain behavioural patterns. That data is then cross-referenced with all employee records. When relevant biometric information is included in the data fed into NORA systems, the likelihood of identifying a dishonest employee with a new identity or forged documentation is increased. Among

technical standards and reporting systems. For more established operations with mixed delivery channels, the emphasis is on making sure legacy systems do not impede business growth as the industry develops.

The common message emanating from the industry is that integrity has to be at the forefront of what they do and that organisations will only operate where there is an audited and regulatory environment.

## Strategy

With the market already worth billions and online betting available 24 hours a day, technology functions will have to be robust and agile. CIOs will be at the forefront of business strategy.

Most companies in this arena now have a global footprint. Inevitably there is always some debate about local versus global needs and as such organisations need to evolve their local teams to work well with the global ones.

It's all about how to deliver the business objective from both a local and global standpoint. Services need to be available 24x7 with 100% reliability. The generic philosophy is to deliver more products and make them easy to use.

## Cost control

Like most industries, keeping costs under control is a constant issue. Developing and implementing IT projects cost effectively is a real winner with senior management.

Many companies use strategic partners to help. This can be for projects as diverse as a major infrastructure implementation to preparation for the various pieces of legislation which impact the industry.

## How we can help

Kingston Smith Consulting is able to support organisations in complying

***“Last year people won more than one billion dollars playing poker. And casinos made twenty-seven billion just by being around those people.” Samantha Bee***

with the provisions of the relevant regulatory frameworks.

One element in this process is to provide education and advice to help operators understand their regulatory responsibilities. We can also help organisations prepare for their compliance visits; undertake a risk assessment of their ability to comply with the licensing conditions and codes of practice; and ensure that operators do not put their licensing objectives at risk.

The risk assessment process helps us to understand the ability of an organisation to comply with the regulatory regime and to identify those areas where more support is required to become compliant.

## The approach

We have developed our approach to meet your objectives for assurance that financial, operational and technology risks within the organisation are being effectively managed.

Our approach is both insightful and efficiently executed. We leverage our prior experience and knowledge of international best practices in

performing the work. This is combined with extensive expertise, by staffing engagements with specialists in gaming operations. We also use proprietary software tools to provide a comprehensive validation of gaming software and settings.

This in turn will:

- Provide interested parties (eg management, owners, audit committee, board of directors) with assurances that the financial reports relied on to run their operation are a true reflection of the actual results of the organisation's activity.
- Afford external and regulatory auditors an added level of comfort that an independent review of controls is being performed and that the organisation is self-policing.
- Give comfort that the risks of the organisation are being assessed and mitigated in the most effective and efficient manner.
- Offer management, and individuals outside of the organisation with a vested interest in operations, added assurance that the core business processes of the organisation are being monitored for compliance with applicable regulations.

Alas, one thing we can't do is provide a sure fire strategy to winning!

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## About Kingston Smith Consulting LLP

Kingston Smith Consulting is the specialist consulting practice associated with the top 20 accountancy firm Kingston Smith LLP.

Kingston Smith was originally formed in 1923 and the firm has grown to its current position through organic growth and mergers. Kingston Smith is a member of KS International which is an association of independent accounting firms in over 50 countries around the world.

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