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Dear Blair

**Application by Christchurch Casinos Limited for approval of a casino venue licence**

Thank you for your letter of 28 May 2018 requesting the Department of Internal Affairs' (the Department) views on the compliance records and suitability of the Christchurch Casino Limited (CCL) and persons with a significant influence on CCL, under section 124 of the Gambling Act 2003 (the Act).

As agreed in your telephone discussion with Cath Anyan, we have provided a summary of CCL's overall compliance record for the period 2001 to 2017. We have also provided comments on the Casino's general attitude towards compliance, and its relationship with the Department.

Overall the Department considers CCL's compliance record to be very good and has no concerns to bring to the Commission's attention.

The Department has a constructive relationship with CCL. CCL proactively provides full information to the Department whenever breaches or system errors have occurred, and works with the Department to resolve issues. The Department meets with the CEO and senior managers of CCL every three months, and any issues have been addressed openly and constructively at these meetings.

The Department considers that CCL works towards continuous improvement in its systems and processes, and it has consistently demonstrated a willingness to consider any suggestions or recommendations from the Department to improve its systems. CCL has also been proactive in checking with the Department on any future plans it may have.

The Department notes that, while there have been some compliance incidents over the years, the majority of breaches or failures by CCL have been of a one-off nature, and generally the result of the actions of a single staff member, rather than a systemic failing or issue. When breaches or other compliance issues have arisen, CCL has carried out its own internal investigations to a thorough standard and focussed on how to prevent a recurrence by improving its systems and practices. CCL usually deals with player disputes via its own internal investigation process and advises the Department of the outcome. The Department notes that in general, these investigations are thorough, and rarely need to be escalated to the Department for further scrutiny.

CCL has demonstrated a commitment to continually upskilling its staff through training. It also proactively monitors its own compliance by running its own mystery shopper exercise on a rolling basis, and it advises the Department of the outcomes. It seeks to learn from the results of the exercise to upskill staff and improve its performance.

#### **Persons with a significant influence on CCL**

As requested by the Commission, we have undertaken our standard checks of the persons identified as having a significant influence on CCL. This includes checking our own internal databases, companies office records, insolvency, credit and NZ Police checks. We have not identified any matters of concern relating to the suitability of any of these persons. We did note that in August 2015, Mr Philip John Hensman received a fine and a 12 month disqualification from driving. However, as this was a driving conviction, the Department does not consider this incident reflects on the suitability of Mr Hensman.

#### **Statistical report**

CCL must provide monthly reports to the Department of reportable incidents. I understand that the Gambling Commission (Commission) has been provided with a numerical summary of compliance incidents from 2001 to 2016. This is contained in Appendix M of the Casino Impact Report, entitled "Casino Reportable Incidents - time series." We have checked a sample of these statistics against our records and, based on our sample, we consider the table to be an accurate record of compliance incidents.

We note that the reportable incidents are generally incidents of misbehaviour or criminality committed by patrons and therefore reflect the casino's ability to prevent and detect this kind of offending.

A key focus for the Department is harm prevention and minimisation and therefore we are particularly concerned about breaches of exclusion orders and minors in the gaming area. We note that people who breach exclusion orders and minors in the gaming area are also committing offences, and while we expect the casino to have systems in place to detect these breaches, we acknowledge that the people concerned are likely to be attempting to avoid detection.

We also note that CCL has been detecting and reporting a higher number of some kinds of these breaches, such as breaches of casino exclusion orders, over recent years. However this does not necessarily reflect an increase in the occurrence of these incidents, as such an increase may also be a reflection of improved vigilance and detection on the part of CCL over the time period concerned. The Department has no means to establish the number of

undetected breaches over the relevant period – and without this information, we are unable to draw any conclusions on what factors might be contributing these higher numbers.

### **Significant compliance issues**

CCL has breached its Host Responsibility Programme (HRP) on four occasions - April 2013, May 2013, May 2015, and June 2016.

On all four occasions, CCL reported the incidents immediately to the Department, took immediate steps to contact any affected person, and took remedial action with the staff members involved, including addressing performance issues where relevant. CCL also proactively reviewed and enhanced its processes to ensure the error was not repeated each time.

Due to the repeated nature of the breaches, the Department considered whether to seek a suspension of CCL's licence on the third and fourth breaches. However, in view of the relatively minor nature of the breaches combined with CCL's proactive approach to deal with issues involved, the Department did not consider that a suspension was warranted. No other sanctions between a warning and a suspension are available, and the Department ultimately issued warning letters for all four breaches.

In 2007, the Department received allegations of money-skimming or other forms of misappropriation from the CCL gaming machines from two former CCL managers. The allegations were investigated and an independent audit was undertaken. No evidence to support these allegations was found.

### **Mystery Shopper results**

CCL was assessed under the Department's Mystery Shopper exercise in both 2014 and 2016. The Department developed scenarios to assess how CCL responded to a variety of signs and indicators of gambling harm, in order to monitor the quality of service delivery of harm prevention and minimisation.

CCL's results in 2016 showed a slight improvement to those in 2014. In 2016, out of three scenarios enacted, one met the Department's expectations, and two out of three did not meet expectations.<sup>1</sup>

The Department acknowledges the investments CCL has made to improve its harm prevention and minimisation practice since 2014, including providing extra resource to its host responsibility team. CCL has also invested in new technology, such as Servizio, a new incident management logging and player tracking system, and facial recognition technology.

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<sup>1</sup> In one of the scenarios, the potential response was compromised as the mystery shopper performed a gambling harm cue at a lower level of intensity than intended. Despite this, the mystery shopper was at a machine for six hours and there was no staff interaction recorded. Therefore the Department's assessment of "not met expectations" remained.

**Anti- Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act)**

An audit of CCL's compliance with the AML/CFT Act was carried out in April 2017. The audit found that the Casino is largely compliant with that Act and has adequate measures in place to mitigate against the Casino being used for money laundering and/or to contribute to the financing of terrorism activities.

If you need any further information or have any questions about the above, please don't hesitate to contact me.

Yours sincerely



**Gareth Bostock**  
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