

2014

# Jersey Gambling Commission Annual Report and Accounts



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## Chairman's Statement

The fourth Annual Report of the Jersey Gambling Commission comes after a year that has seen significant changes and developments.

Since the States devolved responsibility for the licensing and regulation of gambling to the independent Commission in 2010, we have been in a position of anticipating change in the UK regulatory framework to open up opportunities in the remote gambling sector. Those changes have now taken place, doing away with the "white list" system that effectively barred firms in Jersey from offering online gaming services. It will be some time before we see the full impact of that decision in terms of the development of an online gaming sector, and in any event, it is not the role of the Jersey Gambling Commission to "fly the flag" for a particular sector of the economy. But in our role as regulator it is entirely appropriate to note that the changes are already having an impact on the work of the Commission, in terms of explaining the stringent compliance requirements of our licensing regime to prospective operators, and in terms of processing applications for licences.

In the terrestrial arena we have not been standing still. The introduction of a civil penalty scheme has given the Commission the power to levy fines in respect of breaches of legislation or individual licence requirements. It is important to note that we do not anticipate this is a tool we will have to make regular use of because our experience is that the industry here not only understands the rules under which it operates, but also takes these rules seriously. It is also important to note that no use has been made of civil penalties as of yet. Nevertheless, we regard it as important that we have the power to investigate breaches and issue penalties where appropriate.

Our responsibilities, of course, go beyond regulation of gambling. It is also important we explain, clearly, how our system of regulation works. That is especially true in respect of the significant level of work done by the third sector in the Island, which is supported by what might be termed "low level gambling", or more specifically things like raffles or bingo events. With that responsibility in mind, the Commission has undertaken a significant review of its website, to add new information and guides, and restructure that information so that it is easily and clearly usable not just to the commercial sector, but also to those in the social and charitable sphere. We hope that the new website is easier to use, and indeed the number of calls and emails coming to the Commission to query basic rules has dropped as more people make use of the data hosted online.

I was delighted to be appointed during the year to be the gambling regulator board member for the European Association for the Study of Gambling. I would like to record my gratitude to my fellow board members and executive for all their support, diligence and wise counsel during the past challenging and rewarding 12 months.

It would also be appropriate to mark another development that falls outside of our day job, so to speak, which is the election of our Chief Executive Dr Jason Lane as chairman of GREF, the Gaming Regulators European Forum for gambling regulators. This is welcome news. It is important for small jurisdictions to be able to share experience and views with others facing similar challenges. We have been enthusiastic members of GREF and IAGR (the International Association of Gaming Regulators) for exactly this reason – and Dr Lane's appointment highlights that while small, Jersey is seen as an equal partner in these international fora, and that we play a full part in them.

There remains a very positive lack of evidence of problem gambling in the Island – that is partly due to the work of the Commission, but it would only be appropriate to add that it is also due to the professional and responsible attitudes taken by the commercial gambling sector in Jersey.

Graham White, OBE  
Chairman

## Chief Executive's Statement

The Commission's relationship with the States is governed by the 2010 Commission Law and this Annual Report represents part of the information that the JGC provides to States Members, Ministers and Departments throughout the year. Importantly the JGC continues to operate without any direct cost to or subsidy from the taxpayer.

In keeping with previous years, 2014 has been a year of change, consolidation and growth. Licences have slowly increased, not least in the area of Personal Gambling Licences that are issued to individuals working in the finance industry who are otherwise regulated by the Jersey Financial Services Commission. Within the executive, Mario Setubal left the Commission having worked in the regulatory sphere since 2006 and we wish him well in his new endeavours.

Jersey continues to develop and expand its regulatory contacts overseas. After initial discussion with the Secretary of the International Olympic Committee Ethics Commission, the JGC was invited to participate in the IBIS – the international betting integrity system. This is an important development where even small jurisdictions' participation is considered important in the global efforts to prevent crime. Likewise, the Commission continued its regulator to regulator contacts, signing a Memorandum of Understanding with the Isle of Man Gambling Supervision Commission. Links to other regulatory bodies continue through membership of international regulatory associations such as IAGR and GREF.

During 2014 the Commission took over the administration and executive of GREF in support of my two-year term as the Forum's Chairman. The annual meeting of the Forum took place in Dublin, Republic of Ireland and we were honoured to have the meeting opened and addressed by the Minister of Justice, Frances Fitzgerald TD.

Back at home, the Commission welcomed the appointment of the new Minister for Economic Development, Senator Lyndon Farnham. Senator Farnham is a former President of the Gambling Control Committee and a member of the Economic Development Committee and like Senator Maclean before him has been a firm supporter of modern effective regulation. The JGC will continue to support States Members and Ministers with impartial professional advice on the sector as requested.

Dr Jason Lane  
Chief Executive

## The Board



**GRAHAM WHITE, OBE  
CHAIRMAN**



**PETER CRUICKSHANK  
COMMISSIONER**



**JEREMY ARNOLD  
COMMISSIONER**

The Chairman, Graham White OBE, is a well known regulator of some 30 years experience, having served as Chief Inspector of the Gaming Board and then the UK Gambling Commission. Graham is a past trustee of the Gordon Moody Association (a charity providing residential care to problem gamblers) and remains involved in action to assist problem gamblers through work with the Royal College of General Practitioners. Graham has been an active member of both GREF and IAGR for many years.

Peter Cruickshank brings extensive business experience to the Board, having built up a successful money broking firm and representing the London Sterling Brokers Association as its Secretary and in its dealings with the Bank of England.

Jeremy Arnold was formerly a partner with Arthur Andersen. In addition to working with clients, he focussed on practice management, training and quality control. Since retiring from public practice, he works with several companies as a non-executive director.

The Board is now in its fourth year since the Commission became an independent statutory body. In addition to the general role of a Board in dealing with strategy, and overseeing operations, the Board also reviews all licence renewals and importantly sits when required as the Licensing Authority for all new applications.

## The Executive

The Commission Executive represent the JGC domestically, sitting on groups such as the AML Strategy Group and overseas, having membership of the International Association of Gaming Regulators and the Gaming Regulators European Forum. Both IAGR and GREF are important bodies, providing opportunities to increase regulatory co-operation and develop common standards. The Chief Executive, Dr Jason Lane is currently the Chairman of GREF.

The Commission has broadened its staff complement, recruiting a new technical and compliance officer as well as a part-time finance and administration officer. The Commission will continue to ensure that the number of staff is sufficient to provide prompt and efficient administration and processing of applications as well as effective regulatory supervision.

## Approach to Regulation

The Commission continues to seek to be both proactive and responsive in its approach to regulation and operates a risk based approach that enables it to prioritise its efforts and focus upon those sectors of the industry that have the greatest impact upon the Island. For that reason the Commission considers the regulation of the commercial sector to be a higher priority than charitable and society gambling. Naturally, we apply the guiding principles enshrined in Article 4 of the Commission Law which directs that we must, in the performance of all of our functions, have regard to the principles that any gambling services provided

- should be conducted responsibly and with safeguards necessary to protect children and vulnerable people;
- should be regulated in accordance with generally accepted international standards to prevent fraud and money laundering, and should not be permitted to be a source of crime; and
- should be verifiably fair to consumers of those services.

We believe that a good working relationship with the regulated sector is of paramount importance to effective regulation and encourage a two-way dialogue particularly with regard to self-reporting. Clearly the Commission must undertake spot-checks as well as pre-announced inspections, but it is vital that all licensees, be they commercial or charitable, are confident that they can approach the Commission in the knowledge that they will be treated fairly. To that end the Inspection Programme provides an excellent method of maintaining and enhancing relationships with the industry.

The terrestrial industry in the Island is made up of 8 Class 1 Bookmakers (operating 96 gaming machines), 4 Class 2 (on course) Bookmakers, a Parimutual Operator (Jersey Race Club), 2 Crown and Anchor Operators, 26 Thrift Clubs, 2 Hosting Providers, a Gambling Software Provider and 6 Personal Gambling Licence Holders. There is also a seasonal 'amusement with prizes' licence awarded for the summer season as well as a small number of gambling machines licensed to operate in pubs, clubs and restaurants.

Since 1964 the Island has had a total of 29 Licenced Betting Offices, however July 2014 saw an existing licensee open new premises in Broad Street. Although this rise created some media attention it was short-lived as it was offset later in the year when another licensee closed a premises at First Tower thus returning the number of betting shops to the former *status quo*. The bookmaking sector therefore remains highly competitive in Jersey and although the new Law allows for greater flexibility (insofar as the former cap on licences has been removed) the current trend would suggest that the sustainable market level has been reached.

A total of 50 Inspections were conducted across the Licenced Betting Offices in Jersey with all premises receiving a minimum of 1 Full Inspection. No major issues were identified, with the majority of Licenced Betting Offices meeting the requisite standard on the first visit. All holders of Class 1 and Class 2 Bookmakers Licences are also required for the first time to complete and return to the Commission an annual Regulatory Return giving details of their gambling operations during the year. As a consequence of the changes to the ABB Code during the year, all the gaming machine programmes needed to be checked of against the Certificates from their testing houses. This was a protracted task given that there are nearly 150 different games.

Finally, after a process of examination and inspection, SIQ Testing facility in Slovenia was approved for the undertaking of games testing and verification. The number of approved test labs now stands at 4.

Levels of Thrift Club activity varies year-on year and in 2014 all Thrift Club Licensees were required to complete and submit Regulatory Returns. An analysis of these returns revealed some variations in record keeping and the amount of gambling conducted. As a result, for 2015 the Commission has introduced new procedures for Thrift Clubs to improve regulation in this area.

The first remote operators licence was awarded to Twelve40, a Jersey based company specialising in instant win virtual scratchcard and lottery games.

As noted above the Commission adopts a light-touch approach to the regulation of the Charitable and Social sector and oversight is achieved by a random sampling from the total number of registrations as well as requiring them to provide details of their gambling in the form of a Regulatory Return. For the first time, the Commission felt it necessary to issue a Direction under Article 35 of the Gambling (Jersey) Law 2012. This related to a registered charity that was proposing to hold a fund raising lottery with a first prize of a holiday abroad. Circumstances surrounding this prize had given rise to cause for concern and it was agreed with the charity concerned that they not proceed with the lottery. In issuing the Direction the Commission emphasised that it fully accepted that the Registered Charity was not at fault and had acted in good faith. Through this outcome the Commission ensured the proposed lottery was never held, no tickets were sold and consequently neither the public nor the charity in question were at risk.

The 2014 Inspections Programme has built upon the firm foundation created the previous year and has seen a number of improvements in effective regulation of both the commercial and charitable sectors. The Commission continues to seek to identify further areas where improvements can be achieved.

# Anti-Money Laundering/Combating the Financing of Terrorism

## Terrestrial Commercial Industry

On 5 February 2013, the European Commission (EC) published proposals for a Fourth Money Laundering Directive to update the European anti-money laundering (“AML”) and counter-terrorism financing framework. Devised in line with the revised international recommendations of the Financial Action Task Force, the proposals introduce key changes to the scope of AML gambling supervision, which currently concentrates on virtual and terrestrial casinos.

The main changes applied to gambling industry are:

- The Directive extends the scope beyond ‘casinos’ to cover ‘providers of gambling services’.
- The Directive introduces the necessity for Member States to carry out a risk assessment at national level; the EC will set minimum factors to be considered in these assessments.
- Member States to choose between enhanced or simplified due diligence; but without exception due diligence must be applied.

The duties mandated on the Supervisory Body by this AML revision mirror the licensing and regulatory responsibilities and powers defined in the Gambling Law, for example:

- Competent authorities must ensure that owners and persons directing the business are “fit and proper” to do so.
- Competent authorities will have enhanced supervisory powers, e.g. to conduct on-site inspections.

Commission officers met with MONEYVAL representatives during their pre-evaluation visit to Jersey for an overview of the Island’s regulated gambling activities. MONEYVAL is a monitoring body of the Council of Europe, its aim is to ensure that its members have in place effective systems to counter money laundering and terrorist financing and comply with the relevant international standards in these fields. MONEYVAL’s assessment was undertaken in the latter half of 2014, but because the Island does not currently licence any casino activity, Commission participation in the review was limited to meetings of the Strategy Group. Given the developing interest in Jersey as a jurisdiction for on-line gambling, this position will need to be reviewed.

As noted above, the Commission already has duties under law to protect the Island’s international reputation, to ensure its licensees are fit and proper and to apply anti-money laundering legislation. Given the widening scope of the Fourth Directive to encompass providers of gambling services, the Chief Minister and members of the Strategy Group should consider where oversight responsibility within the Supervisory Bodies Law for gambling services is best placed.

## E-gaming

The biggest change that affected the area of gambling regulation in Jersey over the course of 2014 was the reform of laws in the UK that ended the “white list” system that prevented firms in Jersey from marketing online gaming services into the UK market. The reforms in the UK have effectively opened up the possibilities of an e-gaming industry developing here.

It is not the Jersey Gambling Commission’s place to promote or market the Island as a jurisdiction for such activity – our role is strictly a regulatory one, ensuring that any such activity conducted here is in line with the legislation agreed by the States and the Codes of Practice in force here. Other

jurisdictions employ a dedicated Director of Remote Gambling to successfully market their services. The Commission believes that the States should consider such a post, in part because it is a role that appears amply ready for development, but also because it sets an important marker that the Commission is not the marketing or promotional arm of the industry that it regulates.

The Commission has seen, towards the end of 2014 and continuing into the current year, a significant level of interest and inquiries from firms looking to use the Island as a base for such activity. Indeed, the first licence was granted by the Commission on 8<sup>th</sup> December, following an extensive process of due diligence and research. Several more inquiries were active at the end of the year.

The task of discussing and explaining the regulatory requirements of the Jersey regime, and the licensing and due diligence process, has resulted in a significant increase in the workload of the Commission. It is worth noting that the Jersey Financial Services Commission remains the supervisory body for anti-money laundering for business operating casino games. This is because the Supervisory Bodies (Jersey) Law 2008 was passed before the creation of the Commission. To that end this will initially require a joint approach and discussions about the best fit for this type of supervision will take place next year.

## Licensing and Regulation

The Commission licences and regulates four main areas:

- Terrestrial Commercial Gambling;
- Remote Commercial Gambling;
- Ancillary (Gambling) Services;
- Charitable, Club and Social Gambling.

### **Article 9: Gambling (Jersey) Law 2012**

The Law is unambiguous; Article 8 states that it is an offence to provide a commercial gambling service from Jersey without a licence and the offence carries a maximum of 5 years imprisonment and an unlimited fine. Commercial gambling is where a gambling service is provided by at least one person by way of business, to at least one person who gambles as a customer (not by way of business). This is distinguished from an ancillary service, known as business to business or B2B where a gambling service is provided by way of business, but only to others who are also acting by way of a commercial gambling business.

Article 9 requires the Commission to consult on and publish its policies on what types of commercial gambling will be licensed, and what standard conditions will normally be imposed on licences for different types of commercial gambling. These statement and policy requirements also extend to gambling promotions of charities and societies with permissions defined under the Gambling (Charitable and Membership Gambling Services) (Jersey) Regulations 2012 and also those B2B arrangements outlined under the Gambling (Ancillary Services and Miscellaneous Provisions) (Jersey) Regulations 2012.

## **Policies**

Throughout 2014 the JGC amended or otherwise added to the wide range of policies for both commercial operations, B2B arrangements and a less onerous set of approval criteria for charitable and social gambling. The following is a list of policies for permits and licences produced throughout 2014. Copies of all of these policies are available at: [www.jgc.je](http://www.jgc.je).

### **B2B (permit policies):**

- Remote Business to Business Permit and Fees Notice brought into effect.

The definitions were designed to be deliberately broad to reflect a range of ancillary services. The trigger remains if a company directly deals with customers/punters, then the business relationship alters and an operator's licence is required.

### **Commercial:**

- Crown and Anchor Licence Fee Notice was amended.

The proportionality of the current fee was considered in comparison with licence fees for other forms of 'non temporary' commercial gambling activity. It was agreed that an adjustment should be made and for 2015 Crown and Anchor fees will be reduced to £75 per event from £110.

- Remote Business to Customer Licence Fee Notice was amended
- Policy Statement for the Conduct, Regulation and Licensing of Remote Gambling (Remote B2C).
- Policy Statement for the Conduct, Regulation and Licensing of Remote Gambling Disaster Recovery and Load Balancing.

The due diligence fee remains at the previous level of an initial £5000 accompanying the application, with an annual licence fee of £15,000 per operator. A published fee created cost transparency for the industry, and, for a new licencing regime, this appeared the most sensible approach.

The new policy overhauled the previous remote gambling licensing regime governed by the 2008 Regulations. Some elements of the former scheme remained valid and the previously approved Codes of Practice, while updated, now form licence conditions under the new policy.

Disaster Recovery and Load Balancing sit under the policy as new licences. To qualify for either of these licences an applicant must be regulated in a jurisdiction with which the Commission has an MOU.

- Jersey Race Club Policy

Jersey Race Club received its finalised policy. In essence the licence allows the operation of a totalisator or pool betting by the licensee and fund raising from raffles conducted on a set day. The policy removes previous restrictions on set percentage deductions from pool pots, but insists on greater transparency of these percentages.

- Promotional Lotteries Licence

A number of licences were awarded under this policy which is designed to allow local retailers to offer promotional lotteries linked to the purchase of a product as a promotional activity. The policy ensures that prizes offered are promotional in nature and that the public would not ordinarily be expected to significantly invest in order to win a prize.

- Certification of Betting Office Managers

The Commission further decided to introduce certification for approved persons to undertake managerial responsibilities in betting offices. An approval will last for 5 years, with the onus placed on the individual to reapply for a police records check. Failure to reapply will exclude them from continuing employment at managerial level. The reason for introducing the system is to ensure the Commission can track those managers active in the industry which otherwise is a time costly process. This will be delivered in the forthcoming year.

### **Remote Gambling**

The Gambling (Licensing and Advertising) Act was passed by the UK Parliament on 14<sup>th</sup> May 2014. It introduced (along with other UK statutory instruments of the same year) a new Point of Consumption tax on remote gambling operators transacting with UK citizens. The Act introduced a requirement for any UK facing operators to have a UK Gambling Commission licence and abolished the discriminatory “White List”.

This was very good news for Jersey and introduced a level playing field in respect of jurisdictional competitiveness. There has consequently been a resurgence of interest in Jersey as a jurisdiction in which to locate this type of business and the Commission is pleased to have assisted government in achieving their stated objective of being able to offer increased choice in this highly regulated and supervised sector.

A number of applications for both B2B and B2C remote licences have been received as a consequence and the Commission was pleased to announce in December 2014 that the first remote B2C licence had been awarded to a local company, Twelve40 (Jersey).

## The Social Responsibility Panel

One of the key responsibilities of the Commission is in the area of social responsibility. The Commission sees this as a key function. We have a duty under the terms of the law to: 'protect children and other vulnerable persons from addiction to gambling and from other forms of harm associated with gambling; make assistance available to persons who are or may be affected by problems related to excessive gambling; and to otherwise avoid and reduce problems related to gambling'.

In this area, the work of the Commission is guided by a dedicated Social Responsibility Panel, which includes representatives of the industry, mental health providers and the Commission itself. The Panel saw the resignation of chairman Advocate Charlotte Brambilla. The Commission wishes to place on record its thanks to Advocate Brambilla for her service, and wish her well for the future.

The most significant development in the work of the Social Responsibility Panel was a regulatory change by the Commission, which has made it mandatory for bookmakers operating in the Island to pay into the dedicated Social Responsibility Fund. That approach has been deemed to be a more equitable system than a voluntary opt-in, and it has guaranteed the future of the fund. That change took place midway through the year, and as a result, the panel has an increased budget with which to fund its work. Early talks have taken place with the Health and Social Services department about ways in which we could work together to deliver better support for compulsive gamblers and better education to the wider community.

At the close of the year, there was £22,217 in the fund, which we expect to be able to put to good work in support of the twin priorities of assisting compulsive gamblers and educating the wider community.

### Objectives

The objectives of the Panel are to:

- Recommend to the Commission a strategy towards social responsibility related issues and to monitor relevant external developments making recommendations to the Commission as appropriate;
- Create and maintain the Commission's social responsibility policy and to consider whether they continue to meet the social responsibility strategy and objectives and make recommendations to the Commission as appropriate,
- Review and monitor the Commission's social responsibility risk exposures and advise accordingly;
- Review the social responsibility content contained in the Commission's financial reports and report when appropriate to the Commission.

### Priorities

The Commission is cognisant of the timescales needed for the development of a credible strategy to mitigate the risks of problem gambling and accept that this will take a number of years to achieve. In the past year, however, the Panel has:

- Considered the best route of funding for the Social Responsibility Fund
- Given feedback regarding the dedicated Jersey page of Responsible Play and made recommendations for delivery of a local face-to-face service.

## **Gambling Therapy**

As agreed the previous year, the Panel continued to support Gambling Therapy (GT) and actively promoted the services offered via the Jersey webpage through posters and leaflets for this service. These are available at all Licenced Betting Offices and were also distributed to Parish Halls, Citizen's Advice Bureau and the Library.

## **Social Responsibility Fund**

Ensuring funding while finding the fairest method of industry funding without using the levy mechanism provided by the Gambling Commission Law, was a difficult decision for the Commission. As noted in the previous year's report, a fee of £250 per betting shop per annum plus £100 per betting terminal per annum was adopted and imposed as a licence condition raising just over £21,000 for the Social Responsibility Fund.

## **Financial Commentary**

As in previous years and keeping with its independent status and recognising the continuing pressure on public finances, the Commission has adopted a policy of full financial self-sufficiency. Financial self-sufficiency is not just a process of balancing the books on a yearly basis. As a regulatory body, the Commission must be prepared to robustly defend its actions and have the resources available to meet foreseen challenges. Ultimately, as a public body, it can call on the States for support where an issue could not be forecast, but in general terms the policy of the Commission is to build up a reserve capable of meeting its obligations moving forward.

The Commission receives the majority of its funds from commercial licence fees. Reflecting the policy decision in the new Law, fees and charges for the charitable, social and club sector were markedly reduced from 2013 onwards. There is no public funding.

The following Accounts provide an overview of the Commission's income and expenditure for 2014. The Commission is pleased to report that it ended the year with an operating surplus of £42,993. This is similar to the previous year, but is still a significant achievement given that the Commission had to undergo a staff recruitment exercise, employing a part-time administrator and a replacement full-time member of staff mid-year. In line with its policies, the Commission reviews its fees and charges annually in light of its audited accounts.

**JERSEY GAMBLING COMMISSION**

**Audited Financial Statements**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**JERSEY GAMBLING COMMISSION**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2014**

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# **JERSEY GAMBLING COMMISSION**

## **COMMISSIONERS' REPORT**

### **YEAR ENDED 31 DECEMBER 2014**

The commissioners present their report and the audited financial statements of The Jersey Gambling Commission for the year ended 31 December 2014.

#### **INCORPORATION**

The Commission was incorporated in Jersey under the Gambling Commission (Jersey) Law 2010.

#### **COMMISSIONERS**

The commissioners who served during the year were as follows:

Mr G White, OBE

Mr P Cruickshank

Mr J Arnold

#### **RESULTS**

The financial statements provide an overview of the Commission's income and expenditure for 2014. The Commission is pleased to report a surplus for the year of £42,993 (restated 2013: £45,314 - note 11).

#### **GOING CONCERN**

The commissioners consider, given the financial condition of the Commission, the use of the going concern basis is appropriate for the current year and for 12 months from the date of signing these accounts.

#### **REGULATIONS**

This report has been prepared in accordance with United Kingdom Generally Accepted Accounting Principles and the requirements of the Gambling Commission (Jersey) Law 2010.

#### **COMMISSIONERS' RESPONSIBILITIES**

The commissioners are responsible for preparing the Commissioners' Report and the financial statements in accordance with applicable law and regulations.

The Gambling Commission (Jersey) Law 2010 requires the commissioners to prepare financial statements for each financial year. Under that law the commissioners have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The commissioners must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Commission and of the surplus or deficit for that year.

In preparing these financial statements, the commissioners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain the Commission's transactions and disclose with reasonable accuracy at any time the financial position of the Commission and enable them to ensure that the financial statements comply with the Gambling Commission (Jersey) Law 2010. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**JERSEY GAMBLING COMMISSION**

**COMMISSIONERS' REPORT**

**YEAR ENDED 31 DECEMBER 2014**

Each of the persons who is a commissioner at the date of approval of this report confirm that:

- so far as each commissioner is aware, there is no relevant audit information of which the Commission's auditor is unaware; and
- each commissioner has taken all steps that they ought to have taken as a commissioner to make them self aware of any relevant audit information and to establish that the commissioner's auditor is aware of that information.

**AUDITOR**

In accordance with the States of Jersey policy on audit firm tendering, it is intended to conduct a competitive tender to select an external auditor for the year ended 31 December 2015.

Registered office:  
The Jersey Gambling Commission  
2nd Floor  
Salisbury House  
1-9 Union Street  
St Helier  
JE2 3RF

Signed on behalf of the Commission

.....  
**Dr Jason Lane**  
**Chief Executive**

Approved on 16<sup>th</sup> July 2015

## **JERSEY GAMBLING COMMISSION**

### **INDEPENDENT AUDITOR'S REPORT TO THE MINISTER FOR ECONOMIC DEVELOPMENT OF THE JERSEY COMMISSION**

**YEAR ENDED 31 DECEMBER 2014**

We have audited the financial statements of the Jersey Gambling Commission for the year ended 31 December 2014 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Commission's members, as a body, in accordance with Article 18(4) of the Gambling (Jersey) Law 2010. Our audit work has been undertaken so that we might state to the Commission's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commission's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of commissioners and auditor**

As explained more fully in the Commissioners' Responsibilities Statement, the commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the commissioners; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and requirement of the Gambling (Jersey) Law 2010.

**JERSEY GAMBLING COMMISSION**

**INDEPENDENT AUDITOR'S REPORT TO THE MINISTER FOR ECONOMIC  
DEVELOPMENT OF THE JERSEY COMMISSION**

**YEAR ENDED 31 DECEMBER 2014**

**Other Matter**

The financial statements of the Commission for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements.

Gregory Branch  
For and on behalf of Deloitte LLP  
Chartered Accountants  
Jersey,

**JERSEY GAMBLING COMMISSION**  
**INCOME AND EXPENDITURE ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	Restated 2013 (Note 11) £
<b>INCOME</b>			
Licence Fees	11	496,068	464,948
Social Permits		600	150
Social Registrations		1,420	1,670
Other Income		1,882	522
<b>TOTAL INCOME</b>		<b>499,970</b>	<b>467,290</b>
<b>ADMINISTRATIVE EXPENSES</b>			
Fees and salaries	2	349,586	337,365
Commissioners' expenses		1,790	2,164
Establishment expenses		16,354	16,530
General expenses		89,247	65,917
<b>TOTAL ADMINISTRATIVE EXPENSES</b>		<b>456,977</b>	<b>421,976</b>
<b>SURPLUS FOR THE FINANCIAL YEAR</b>		<b>42,993</b>	<b>45,314</b>

**Continuing Operations**

All items dealt with in arising at the result for the year ended 31 December 2014 and 31 December 2013 relate to continuing operations.

**Statement of total recognised gains and losses**

There are no recognised gains and losses other than the results of £42,993 (restated 2013: £45,319 – note 11) for the years ended 31 December 2014 and 2013, and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 7 to 11 form part of these financial statements.

**JERSEY GAMBLING COMMISSION**

**BALANCE SHEET**

**31 DECEMBER 2014**

	<b>Note</b>	<b>2014</b> £	Restated 2013 (Note 11) £
<b>FIXED ASSETS</b>			
Tangible assets	<b>5</b>	11,368	3,771
<b>CURRENT ASSETS</b>			
Debtors	<b>6</b>	24,032	2,528
Cash	<b>7</b>	401,600	478,020
		425,632	480,548
<b>CREDITORS: Amounts due within one year</b>	<b>8 &amp; 11</b>	185,886	296,206
<b>NET CURRENT ASSETS</b>		239,746	184,342
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>251,114</b>	<b>188,113</b>
<b>ACCUMULATED RESERVES</b>			
Social Responsibility Fund	<b>9</b>	22,217	2,209
Income and Expenditure Account	<b>10</b>	228,897	185,904
<b>ACCUMULATED RESERVES</b>		<b>251,114</b>	<b>188,113</b>

The financial statements on pages 3 to 10 were approved by The Jersey Gambling Commission and authorised for issue on 16<sup>th</sup> July 2014, and are signed on their behalf by:

.....  
**Dr Jason Lane**  
**Chief Executive**

The notes on pages 7 to 11 form part of these financial statements.

# JERSEY GAMBLING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

### 1. ACCOUNTING POLICIES

#### **General information**

The Jersey Gambling Commission (the "Commission") was created by the Gambling Commission (Jersey) Law 2010 and is responsible for the licensing, registration and regulation of gambling in the island of Jersey. This law transferred all responsibilities for licensing, registration and regulation of gambling prescribed as the duty of the Minister, the former Licensing Assembly or other States bodies to this new Authority.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles and the Gambling Commission (Jersey) Law 2010.

#### **Going concern**

The commissioners consider, given the financial condition of the Commission, the use of the going concern basis is appropriate for the current year and for 12 months from the date of signing these accounts.

#### **Income**

##### **Licence fees**

Under the terms of Gambling (Jersey) Law 2012 and subordinate legislation, licences granted by the Commission are valid for up to five years. Non-refundable licence fees are payable on issue of the licence and at each anniversary of its issue. Non-refundable licence fees are initially recorded as deferred income and released over the period of the licence as the commissioners believe that this treatment matches the income generated in the period with the associated expenditure.

##### **Social permits and registrations**

Income from these permits and registrations is recognised when the permit is issued.

##### **Expenses**

Expenses are accounted for on an accruals basis.

##### **Pension costs**

Staff initially employed by the States of Jersey before 1 January 1999 of which there are three are members of the Public Employees Contributory Retirement Scheme ("PERCRS") which, whilst a final salary scheme, is not a conventional defined benefit scheme because the employer is not necessarily responsible for meeting any on-going deficit in the scheme. The assets are held separately from those of the States of Jersey. Contribution rates are determined by an independent qualified actuary so as to spread the costs of providing benefits over the members' expected service lives.

Because the Commission is unable to readily identify its share of underlying assets and liabilities of PERCRS, contributions to the scheme have been accounted for as if they are contributions to a defined contribution scheme at a rate of 13.6% (2013 13.6%). This rate is expected to continue to be payable during 2015.

# JERSEY GAMBLING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2014

#### Pension costs (*continued*)

Actuarial valuations are performed on a triennial basis; the most recently published was the PECRS Actuarial Valuation for 31 December 2013 on 13 March 2015. The main purposes of the valuations are to review the operation of the scheme, to report on its financial condition, and to confirm the adequacy of the contributions to support the scheme benefits.

Copies of the latest annual accounts of the scheme, and States of Jersey, may be obtained from the States Treasury, Cyril Le Marquand House, The Parade, St Helier, JE4 8UL.

#### Fixed assets

All fixed assets are initially recorded at cost.

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- Website costs - straight-line basis over 3 years
- Computer equipment - straight-line basis over 3 years

#### Cash

Cash comprises current and deposit accounts with maturities of less than 3 months.

#### Cash flow statement

A cash flow statement has not been included in these financial statements as the Commission qualifies for exemption as a small entity under the terms of Financial Reporting Standard No.1 (Revised) "Cash flow statements".

## 2. PAYROLL

	2014	2013
	£	£
Staff salaries	254,739	238,327
Commissioners' fees	72,000	72,000
Employer pension contributions	22,847	27,038
	<u>349,586</u>	<u>337,365</u>
	2014	2013
Number of permanent staff employed during the year	<u>4</u>	<u>4</u>

## 3. SURPLUS

Surplus is stated after charging:

	2014	2013
	£	£
Auditors remuneration	6,150	5,800
Depreciation of owned fixed assets	<u>5,981</u>	<u>4,689</u>

**JERSEY GAMBLING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2014**

**4. TAXATION**

Article 17 of the Gambling Commission (Jersey) Law 2010 provides that the income of the Commission shall not be liable to income tax under the Income Tax (Jersey) Law 1961.

**5. TANGIBLE FIXED ASSETS**

	<b>Website costs £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>COST</b>			
At 1 January 2014	5,183	8,883	14,066
Additions	3,055	10,523	13,578
<b>At 31 December 2014</b>	<u>8,238</u>	<u>19,406</u>	<u>27,644</u>
<b>DEPRECIATION</b>			
At 1 January 2014	4,176	6,119	10,295
Charge for the year	1,348	4,633	5,981
<b>At 31 December 2014</b>	<u>5,524</u>	<u>10,752</u>	<u>16,276</u>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2014</b>	<u>2,714</u>	<u>8,654</u>	<u>11,368</u>
At 31 December 2013	<u>1,007</u>	<u>2,764</u>	<u>3,771</u>

**6. DEBTORS: Amounts falling due within one year**

	<b>2014 £</b>	<b>2013 £</b>
Licence fees receivable	15,700	1,250
Other debtors	8,332	1,278
	<u>24,032</u>	<u>2,528</u>

**7. CASH**

The cash includes £22,217 (£2,209 2013) relating to the Social Responsibility Fund. The use of the Social Responsibility Fund is restricted by Article 10 of the Gambling Commission (Jersey) Law 2010.

**8. CREDITORS: Amounts due within one year**

	<b>2014 £</b>	<b>Restated 2013 (Note 11) £</b>
Licence fees received in advance	165,463	286,212
Other creditors and accruals	20,423	9,994
	<u>185,886</u>	<u>296,206</u>

# JERSEY GAMBLING COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

### 9. SOCIAL RESPONSIBILITY FUND

To comply with Article 10 (1) of the Gambling Commission (Jersey) Law 2010, the Commission accounts for the Social Responsibility Fund separately from its general funds.

	2014	2013
	£	£
At 1 January	2,209	4,413
Amounts Collected	21,475	-
Amounts Used	(1,467)	(2,204)
At 31 December	<u>22,217</u>	<u>2,209</u>

### 10. ACCUMULATED RESERVES

Income and Expenditure Account	2014	2013
	£	£
At 1 January	185,904	140,590
Surplus for the year	42,993	85,298
Prior period adjustment (see note 11)	-	(39,984)
At 31 December	<u>228,897</u>	<u>185,904</u>

### 11. PRIOR PERIOD ADJUSTMENT

During 2013, certain fees previously charged for years to March 31 were changed to a calendar year basis. An error in the calculation of the effect of this change resulted in the necessity of the adjustment below.

	As Restated 2013	Original 2013	Adjustment
	£	£	£
Income – Licence Fees	464,948	504,932	(39,984)
Creditors – Licence Fees received in advance	286,212	246,228	39,984
Income and Expenditure Account	185,904	225,888	(39,984)

### 12. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under United Kingdom Generally Accepted Accounting Principles and the Gambling Commission (Jersey) Law 2010.

### 13. LEASES

On the 1 January 2013, the Commission entered into a lease agreement in respect of its offices at Salisbury House at a rate of £12,000 per annum until June 2016.

The Commission pays all property related expenses.

**14. POST BALANCE SHEET EVENTS**

No events have occurred post year end which require disclosure in the financial statements.

**15. ULTIMATE CONTROLLING PARTY**

The Jersey Gambling Commission is a corporate body without share capital. It is independent of the States of Jersey and as a result there is no ultimate controlling party.



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