



Internal Controls and Operating Systems For Interactive Gaming Licensees

INTERNAL CONTROLS - GENERAL OVERVIEW

1.1 APPROVED CONTROL SYSTEM

Section 20.(1) of the Interactive Gaming Act 2000 provides that a licensed provider may conduct an authorised game only if the licensed provider has an approved control system and the game is conducted under the system.

A control system submission must be made in writing to the Regulator for approval at least 20 working days before the licensed provider proposes to start conducting interactive games, or if the Regulator considers it appropriate to allow a submission to be made at a later time, within the time allowed by the Regulator.

A control system submission must describe and explain the licensed provider's proposed control system. The Regulator reviews the submission and determines whether the submission satisfies the requirements of the Interactive Gaming Act 2000, and whether the system submitted provides satisfactory and effective control over the operations of the licensed provider.

1.2 AMENDING AN APPROVED CONTROL SYSTEM

Any proposed changes to the control system must be submitted to the Regulator at least 60 days prior to the effective date of the proposed changes, unless the Regulator considers it appropriate to allow a change submission to be made at a later time.

Until the licensed provider receives written notification from the Regulator that the proposed changes are acceptable, no change may be made to the previously approved control system.

If the Regulator considers that the submission is not in conformity with the requirements of the Act, or that the control system or the proposed control system change does not provide satisfactory and effective control over the operations of the licensed provider, the licensed provider shall be advised accordingly in writing.

This advice will include the reasons for the decision, and if the Regulator believes the submission can easily be rectified to enable the Regulator to give an approval, an explanation as to how the submission may be changed. The licensed provider will then be invited to resubmit the submission after making the appropriate changes.

When the Regulator determines that the proposed control submission or change submission is acceptable in all respects, it will notify the licensed provider accordingly.

The Regulator may, by written notice given to a licensed provider, direct the licensed provider to change the control system within the time, and in the way, stated in the notice and the licensed provider must comply with the direction.



A licensed provider's control system should be designed to provide the following:

1. Administrative control which includes, but is not limited to, the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorisation of transactions; and
2. Accounting control which includes the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records, and are consequently designed to provide reasonable assurances as follows:
 - i. Transactions are executed in accordance with management's general and specific authorisation which includes the requirements of the Interactive Gaming Act 2000 and the Financial Transactions Reporting Act 2000;
 - ii. Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles;
 - iii. Access to assets is permitted only in accordance with management authorisation; and
 - iv. The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

Further the control system must provide for:

- i. Competent personnel with integrity and an understanding of prescribed procedures; and
- ii. The segregation of incompatible functions so that no employee is in a position to perpetrate and conceal errors or irregularities in the normal course of their duties.

Section 20.(2) of the Interactive Gaming Act 2000 lists the topics that must be covered in the control system submission. As a guide for licensed operators when preparing their control system submission, the following is an outline of the areas which the Regulator requires at a minimum to be covered in the control system submission:

1 TABLE OF CONTENTS.

To include index, page numbers etc.

2 INTRODUCTION / GENERAL COMMENT

This section should contain a brief description of company i.e. history, commencement date, structure etc. as well as a general overview of the goals and objectives of the company.

Please be aware that a Company Probity Form must be completed and submitted to the Regulator with an application to enable suitability checks to be performed.

3 RECORD OF AMENDMENTS

The provider's control system manual should provide for the recording of ALL amendments to the manual after the initial approval of the manual has been granted.

Provision should be made for the following details:

- a) Date of submission of amendment;
- b) Sections amended; and
- c) Date of approval by the Regulator.

Procedures for the submission and notification of approval of such amendments should also be submitted.



4 GLOSSARY OF TERMS

All Interactive Gambling terms used in the control system must be defined and the definitions must be consistent with the Interactive Gaming Act 2000, Regulation and Rules.

All accounting terms must be in accordance with generally accepted accounting practice.

5 ORGANISATIONAL STRUCTURE

The control system submission must contain a chart showing the organisational structure including reporting lines.

Accompanying this chart must be a delegation authority list detailing the decision making and control responsibilities of each employee who is in a position to exercise influence over or with respect to the operation of the licensed provider's Interactive Gambling operations.

Position descriptions for each position containing, at a minimum, the following information must be provided:

1. the role/objectives of the position;
2. the reporting relationships both internally and externally, including delegated authorities;
3. the major duties, controls and responsibilities of the position;
4. the titles of the position(s), if any, which report to this position; and
5. the knowledge, skills, qualifications and experience required to perform the duties of the position.

All position descriptions should be allocated a position number for ease of reference.

Notification of any changes to position descriptions and/or the responsibilities that attach to a position must be given to the Regulator and approval granted prior to the implementation of any change.

The information provided in the job descriptions will in future be used by the Regulator to identify those positions which must be licensed.

6 PREMISES

A licensed provider must not conduct an authorised game unless the place of operation from which the game is conducted is approved by the Regulator.

In this regard the control system submission must contain the following information at a minimum:

- i. A floor plan of the premises;
- ii. Details of the security of the premises e.g. security alarm system, monitoring system including video surveillance and recording, lift access control etc, as well as measures to ensure that security is maintained. Computer room security including access to the room should be addressed separately;
- iii. Details of the procedures in place to control access to the premises e.g. staff/visitor identification cards, registers and the level of authority required to grant access to the premises;
- iv. Details of emergency power arrangements in the event of a mains power outage so as to minimise the disruption to operations.



7 ACCOUNTING SYSTEMS

7.1 CHART OF ACCOUNTS

A full chart of accounts must be provided for the licensed provider's operations. Details of the procedure to be followed should a change to the Chart of Accounts be required must be provided including advice as to the position responsible for submitting the proposed change to the Regulator for approval.

7.2 INTERNAL AUDIT FUNCTION

Details of the Internal Audit function and responsibilities must be provided including the scope of the Internal Audit function which should include but not be limited to the following:

- The review and appraisal of the adequacy of the Control System;
- Review of the level of compliance with the Control System procedures;
- The reporting of incidences of non-compliance with the Control System to the appropriate position in the organisation;
- The reporting of any material weakness in the Control System to the appropriate position in the organization; and
- The recommendation of change procedures to eliminate any material weakness in the Control System.

An audit program for this work must be submitted to the Regulator for review on a timely basis.

7.3 ANNUAL AUDIT

Pursuant to Section 27 of the Interactive Gaming Act 2000, as soon as practicable after the end of the financial year, a licensed provider must at the licensed provider's own expense cause the books, accounts and financial statements for the operations conducted under the interactive gambling licence for the financial year to be audited by a person who is a qualified to do so under the Interactive Gaming Act 2000.

The appointment of an auditor must be notified to the Regulator within 7 days of the appointment and be accompanied by a copy of the letter of engagement.

The auditor must complete the audit within 3 months after the end of the financial year and immediately after completion must give a copy of the audit report to the Regulator and the licensed provider. Should the Auditor resign or be dismissed the Regulator must be advised in writing within 7 days of the termination. The advice is to be accompanied by a copy of the letter of termination containing the following information;

- the date of resignation or dismissal; and
- in relation to the audits of the two most recent years, whether there were any material disagreements with the former auditor on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

Annual statements for other than the first year of operation must be prepared on a comparative basis for the current and prior fiscal year, and present financial position and results of operation in conformity with generally accepted accounting principles.



7.4 ACCOUNTING SOFTWARE

Details of the accounting software to be used should be included in the Control System submission. Further, advice as to the method and frequency of fully backing-up the accounting software data should be included together with advice as to the short and long term storage of such data (both on premises and off-site).

Accounting data entry files must be retained for a period of 6 years and must be maintained in a secure location.

7.5 STANDARD FORMS

A compendium of standard forms (including both the licensed provider's internal forms and those used for activities between the licensed provider and an agent) as well as the records and documents that will be used by the licensed provider in the conduct of interactive gambling must be submitted to the Regulator for approval.

Document control should be maintained by placing document names/numbers and the revision date at the foot of each document.

7.6 BANK ACCOUNTS

Pursuant to Section 23 of the Interactive Gaming Act 2000, a licensed provider must keep a financial institution account, or financial institution accounts, approved by the Regulator for use for all banking or similar transactions for the operations conducted under the interactive gambling licence.

The licensed provider must not use a financial institution account approved by the Regulator other than for the purpose for which it is approved.

7.7 ACCOUNT SIGNATORIES

All instructions issued in relation to the bank account(s) must require the signatures of two of the authorised bank account signatories. The Control System must state who has the authority to appoint and remove signatories.

Notification of the appointment or removal of signatories must be provided to the Regulator by forwarding a copy of the completed change of signatory form issued by the bank, together with confirming identity of the signatures.

7.8 PLAYERS' DEPOSITS ACCOUNT

Details of the Players' Deposits Account held by the licensed provider including signatory requirements, reconciliation procedures and frequency of reconciliation, as well as procedures for the reporting and investigation of any discrepancies, must be provided.

7.9 PLAYER REGISTRATION AND THE RECEIPT/DISBURSEMENT OF PLAYER FUNDS

Section 7.2.1 of the Technical Guidelines for an Interactive Gaming Computer System (IG-009) requires that a licensed provider must not permit a person to participate as a player in an authorised game unless the person is registered with the provider as a player. It also requires that a verification of registration details also occurs. A player who is not verified is termed restricted, and a player who is verified is termed unrestricted.

The Control System must contain a detailed description of the procedures for the registration of a person as a restricted or unrestricted player with a licensed provider.



The Control System must detail the licensed provider's procedures for:

- authenticating the person's identity;
- verifying the person's place of residence; and
- verifying the person's age to be at least 18 years.
- Section 5.7 of the Code of Practice requires that a licensed provider must not accept a wager from a player in an authorised game unless:
 - a player's account has been established in the name of the player and there are adequate funds in the account to cover the amount of the wager; or
 - the funds necessary to cover the amount of the wager are cleared and provided in a way authorised by the Regulator.

The Control System must also contain a comprehensive description of the procedures for establishing and operating both restricted and unrestricted player's accounts (including on-line account verification procedures), and the recognition, recording and accounting for funds (including cash, credit card, cheques, transfers etc) received from a player for the purpose of interactive gambling.

The procedures for the forwarding of a PIN / password to the player via a means independent from the medium being used eg. by post, should also be provided.

Further, a detailed description of the procedures for the debiting of losing wagers from the player's account and the crediting of winnings to the player's account must be included.

7.10 AGENCY RECEIVABLES (IF APPLICABLE)

Detailed procedures will be required to describe the receipt, recording and reconciliation of funds from agents.

7.11 WITHDRAWALS FROM A PLAYER'S ACCOUNT

An unrestricted player must be able to withdraw funds up to the current balance of their account at any time. (The computer system should not permit the withdrawal of funds in excess of the player's balance). Procedures for the withdrawal of funds by an unrestricted player from their account should be described in detail in the Control System.

The Control System must also detail the procedures for ensuring that restricted players cannot withdraw funds from their account or close the account (if there is a balance standing to the credit of the account) while the player remains a restricted player.

Further, the Control System should detail the procedures for the remittance to the Regulator of the account balance standing to the credit of a restricted player whose registration ceases to have effect.

7.12 REJECTED EFT AND OTHER TRANSACTIONS.

Detailed procedures for reviewing rejected transactions together with details of the action that will be taken to secure full settlement of the debt as soon as possible must be included in the Control System.

7.13 FOREIGN CURRENCY TRANSACTIONS

Detailed procedures for the acceptance of foreign currency deposits including exchange rate conversion procedures should be included in the Control System.



7.14 UNCLAIMED PRIZE REMITTANCES

If a prize is not claimed within 1 years after the end of the authorised game in which the prize was won the entitlement the players account is to be deemed a Dormant Account as specified in **Section 7.4.3 of the Technical Guidelines for an Interactive Gaming Computer System (IG-009)**.

The Control System should include procedures for identifying such prizes and for their remittance unclaimed prizes and account balances to players.

7.15 CALCULATION OF TAXES

The Control System must detail the procedures for the accurate calculation and remittance of taxes payable to the Regulator.

Details of the revenue derived from both participating and non-participating jurisdictions must be provided.

Taxable revenue should be calculated as follows:

For Interactive Gaming (Casino): Total Turnover Less amount won by players including jackpot payments. No tax deduction will be allowed for the provision of jackpot seed or prize amounts. However, as outlined above actual jackpot prize payments may be deducted from turnover.

For Fixed Odds (Sports Book): Total Gross Turnover

7.16 MONTHLY / QUARTERLY / ANNUAL REPORTS.

The licensed provider must prepare its financial and statistical reports on a fiscal year basis ending 30 June. The licensed provider will be required to file monthly, quarterly and annual reports of financial and statistical data.

The Regulator will approve a set of standard reporting forms and instructions to be used by the licensed provider in filing monthly, quarterly and annual reports. Please see the document Reporting Guidelines for Licensees (IG-012)

Monthly reports are based on calendar months, while quarterly reports are based on fiscal quarters ending 30 September, 31 December, 31 March and 30 June. Annual reports are based on a fiscal year beginning on 1 July and ending 30 June.

The reports must be signed by the appropriate executive officer, and each report must be submitted to the Regulator by the required lodgement date as specified in Reporting Guidelines for Licensees (IG-012).

7.17 BAD DEBTS

The Control System must contain procedures for reviewing doubtful debts and dealing with bad debts. The procedures should cover debt recovery action and the procedures for writing off a bad debt in the company's accounts should the debt recovery action fail. The Regulator must be notified within 7 days of a failure to secure settlement of an amount owing to the licensed provider.

7.18 CASH TRANSACTIONS REPORTING

The Control System must document the procedures to be followed to ensure compliance with the Financial Transactions Reporting Act.



8 REGISTERS

The licensed provider will be required to maintain the registers specified in Section 2.5 of the Reporting Guidelines for Licensees (IG-012) in either electronic or hard copy form:

Note: Where registers are not able to be accessed via the computer system within the Regulator, hard copies of the Registers will have to be provided.

9 SOFTWARE CONTROLS

The Control System submission must contain the following information at a minimum in regard to the gaming software and associated systems:

- a) Procedures for compliance with Technical Guidelines for an Interactive Gaming System, the Audit Requirements and the Code of Practice including submission requirements;
- b) System software development controls.

The purpose of these procedures is to:

- i. Maintain the interactive gambling application source code in a secure well managed environment;
- ii. Define the system design and programming procedures and standards and testing strategies;
- iii. Define modification procedures and actions to facilitate timely development of any authorised changes to software;
- iv. Define problem reporting procedures and actions to facilitate timely resolution of any software problems;
- v. Comply with any Interactive Gaming Consultants requirements.

- c) System software change control.

The purpose of these procedures is to:

- i. Ensure that only authorised changes with prior Interactive Gaming Consultants approval occur to the software. All scheduled software changes must be submitted to the Regulator for evaluation and approval prior to installation.
- ii. However, emergency software changes may be implemented immediately with prior notification to the Regulator. A full evaluation of the emergency software change will then be carried out by the Regulator as soon as possible;
- iii. Ensure that changes comply with any Interactive Gaming Consultants requirements and are suitable for approval;
- iv. Allow urgent software fixes to still occur (with prior Interactive Gaming Consultants approval) but to be regulated;
- v. Maintain maximum system availability despite software changes;
- vi. Maintain control separation between the producers of the source code and operational aspects of interactive gambling.

- d) Implementation and user acceptance procedures;
- e) Problem reporting and management procedures including the encryption of passwords and regular changing of passwords etc;
- f) Details of security controls including player authentication and account security. This section should contain details of the operating system, application and database level logical access security in terms of user access privileges, password control etc;
- g) Logistical security controls are to be documented and should cover, at a minimum, segregation of duties, password controls, access rights etc;
- h) The source back-up strategy including recovery strategies;



- i) Procedures to ensure information integrity and confidentiality of information. An audit trail of all transactions must be available.

10 INTERACTIVE GAMING COMPUTER SYSTEMS

Full details of the interactive systems to be utilised MUST be provided including but not limited to the following:

- a) Compliance with Technical Guidelines for Interactive Gaming Computer Systems (IG-009) including submission requirements (as for Software);
- b) Encryption / Validating of transactions;
- c) Status of activity for each authorised game;
- d) Non-responsive procedures / game problems;
- e) IGCS Operations management:
 - a. System operators
 - b. Data and Database Administrators
 - c. Network Security and Management
 - d. 3rd party access

11 GENERAL PROCEDURES

The Control System must also contain detailed procedures for the following:

- a) Protecting the privacy of player information and the destruction of players confidential information from the system;
- b) Help Desk Operations. ie. hours of operation, staffing etc;
- c) Advertising and Marketing proposals (procedures relating to gambling and compliance with legislative requirements and industry developed code of practice);
- d) Problem gaming behaviour management;
- e) Notification of change of location of authorised game(s) eg Web address;
- f) Web site content management;
- g) Acquisition & Disposal of Regulated Equipment;
- h) Increases/Decreases of Authorised Games on offer, including new game submissions and changes to existing approved games;
- i) Procedures for the approval of regulated equipment and removal of existing regulated equipment, including maintenance and storage if applicable.
- j) Procedures for dealing with agents and associated agreements. This should include the content, notification of commencement / cessation, functions and whether the agent is an agent inside or outside Vanuatu etc.
- k) Code of Practice Management.
- l) Game Parameter / Configuration Management.

12 JACKPOT SYSTEM (THIS SECTION MAY NOT BE APPLICABLE)

The Control System submission must describe, at a minimum, the following:

- a) Details of Jackpot seeding arrangements, jackpot ceiling values, incrementation rate, reconciliation and monitoring arrangements etc;
- b) Procedures for payment. ie. payment limit, authorisation, verification procedures etc;
- c) Logical access security on the critical data and programs such as random number generation and other critical programs;
- d) Payment time frame;
- e) Validation procedures;



- f) Win Disputation Management Procedure (Two or more players who are notified that they have won the same jackpot);
- g) Jackpot controller management;
- h) Jackpot Pool Management.

13 DISASTER RECOVERY

Design features should be incorporated into the computer system that would reduce the likelihood of disaster to the level of negligible. However, as the possibility always exists that long term impairment of the system could occur for example through conflagration exceeding the fire control systems, procedures should be incorporated into the control system detailing the action that would be taken to provide for a financially orderly close down of the computer system including the ability to refund bets and claim winnings.

Further, a business continuity plan must be provided detailing the actions the company would take to continue in business in the event of a disaster.

14 TRAINING

The licensed provider must provide details of the controls that exist to ensure that all staff providing advice and assistance are suitably trained in the interactive gambling operations.

15 COMPLAINT HANDLING

- a) Differentiate between complaints received directly from players and complaints forwarded by the Regulator (including those from outside Vanuatu).

- b) Procedure for resolution of complaints including notification of complainant and the Regulator of the outcome;

The above outline is intended as a general guide for licensed provider applicants. It is not, and should not be viewed as, a complete anthology of the matters for which detailed procedures must be included in a licensed provider's control system. Instead, it should be used by prospective licensed provider applicants to inform themselves of the type of matters and the expected level of detail which is required to be submitted in a control system to the Regulator for review and approval.

16 PLAYER MANAGEMENT

- a) Wagering / Betting Limitations Management
 - a. Bet / Deposit Limits
 - b. Cooling Off Periods
 - c. Limitation Change Requests by Players
 - d. Player Exclusions Management
 - e. Player Statements Management
 - f. End of Day Reconciliation
 - g. Major Wins Management
 - h. Deceased Estate Claims Management
 - i. Dormant Accounts Management
 - j. Deactivated Accounts Management



All enquiries relating to this document should be sent to:

The Regulator of Interactive Gaming
C/O Global Gaming Regulators
PO Box 3113
Port Vila
Vanuatu
enquiries@gamingregulator.com