

The effect of Governance, Risk and Compliance **during volatile economic times**



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There is very little doubt that the Covid-19 pandemic has affected all sectors of world economies, with the gambling sector not being spared. Within the African continent, the dual effect of the pandemic and the preventative measures taken against it has resulted in operators engaging in cost containment initiatives while remaining operationally effective and efficient.

WHERE BUSINESSES have gone through commercial changes effecting its operating and management model to improve cost savings and efficiencies, the impact on its control and compliance environment may not be immediately evident with weaker trading conditions and financial performance pressures.

With a large proportion of Africa's gambling industry being land-based and destination type offerings, while yielding considerable proportions of revenue from foreign tourists, the continued travel bans from and to high-risk countries has thrown a further spanner in the works for brick-and-mortar operations. The limitation on gatherings, trading capacity constraints and curtailment of on-site alcohol sales has further exacerbated the revenue generating capabilities of these operations.

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In South Africa, where online gambling is prohibited with the exception of betting on sport, operators with betting licenses were also not spared as the cancellation of all forms of sport events due to the pandemic left punters with nothing to bet on and looking for alternative gaming options.

Some punters and players started seeking their thrills elsewhere. Globally the online gaming sector has grown exponentially, with player numbers doubling and revenues surging. These converted thrill seekers have found an escape in pursuing their pastime from the comfort of their homes.

Despite the lack of regulation and no licensing authority that would allow or prohibit online gambling in most of Africa, for those

operators who had an existing betting platform the transition into the provision of online casino games would have been a quick win.

Online gambling has become increasingly popular and the continued evolution of gaming technology and accessibility warrants agility in processes, controls and risk management. Cyber threats are on the rise with regulatory bodies leading the way in setting examples of non-compliance to regulations. Business Continuity in light of diversification is in the spotlight and with the increased demand for more online gaming revenue streams understanding that the preventative measures in place to address the pandemic did not contribute to a conducive sports betting environment, South Africa and African countries will need to consider their stance on either regulating online gaming or not.

Within South Africa the ongoing restrictions imposed on business and its activities in terms of the Disaster Management Act will continue to have an impact on the economy. Notwithstanding the easing of restrictions due to a decrease in the infection rate and the vaccination programme gaining momentum, recovery of this sector is expected to be slow considering disposable consumer income remaining under severe pressure owing to a stagnant economic climate.

Even with the continued uncertainties brought on by Covid-19, stakeholders still require return on investment and assurance that their investments are well protected by those charged with governance. Governance,

risk, and compliance (“GRC”) initiatives have become more relevant to support improved decision making particularly in light of the agility required by business to adapt to the economic environment in which they trade in, elimination of silos, reduce fragmentation among divisions and departments and optimal investment in IT solutions.

Understanding the risk and regulatory landscape of businesses, provides a foundation to ensuring risks are mitigated or managed to an acceptable level. The gambling industry being one of the most regulated industries in South Africa requires continuous monitoring of compliance to regulations thereby mitigating the risk of non-compliance to regulation.

Risk management, the common thread between governance and compliance, focusses on predicting future risk events and ensuring there are preventative measures in place to reduce the effect of those risks. To be successful at risk management, organizations require a means to anticipate and plan for these events. In this instance scenario planning becomes that more relevant. According to The Wall Street Journal, “scenario planning helps organizations perceive risks and opportunities more broadly, to imagine potential futures and different scenarios that might challenge their assumptions, and to spot sources of risk that may otherwise go undetected.”

To navigate through these turbulent times and economic climate - risk assessments, risk appetite and tolerance levels coupled with risk mitigation strategies remain at the core of strategic matters of organisations. Most organisations with mature risk management processes may have not predicted the onslaught of the pandemic nor its effects on business, however organisational resilience remains at the core of their business models.

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Kenya Seeks to Ban Daytime Gambling

A new amendment bill that has been introduced in Kenya is seeking to suspend gambling from 6am to 8pm as part of the Government's efforts to promote responsible gambling and protect underage players.



THE PROPOSED amendment to the Nairobi City County Betting, Lotteries and Gaming Bill 2021 has been backed by Waithera Chege, a member of the local County Assembly, who has been willing to see gambling banned during the time she called 'productive human hours'.

As Ms. Waithera explained, young people have been found to be increasingly spending time at gambling and betting venues across the country, so the Government had to do something in order to protect these vulnerable

individuals from possible gambling-related harm.

Ms. Waithera has called for the authorities to ban access to such establishments at certain hours in order to make sure young people who have been demonstrating symptoms of addiction are protected.

Although some campaigners have been doing their best to tackle gambling among young people, many Kenyan residents believe gambling could be ranked among the most

important economic sectors of the country. In a 2017 report by PwC, the country was named one of the top three markets in Africa, and in 2020, its gambling industry was expected to generate a turnover of about \$50 million.

The bill would need to be voted and ratified by the Nairobi County Assembly if it were to move forward and introduce the restrictions, and comes amid an increased push for responsible gambling practices across the continent.

Habanero Expands in Africa with Betway

Premium slots and table games provider Habanero has reinforced its position in Africa through its latest deal with leading operator brand Betway, which is owned by Super Group.



UNDER THE agreement, Habanero's collection of high-performing titles such as Wild Trucks, Egyptian Dreams and Hot Hot Fruit will be available to Betway's Ghana players via the Betway Africa brand.

Considered one of the continent's favourite operators, Betway Africa is Betway's licensed Africa-facing brand and is live across multiple regulated African markets including Kenya, Uganda and South Africa.

Billed as a significant milestone for Habanero in its regional expansion, the Ghanaian gaming market is second to only Nigeria in

West Africa for gaming revenue and total player numbers, having been live since 2006.

The deal is expected to be a decisive move forward in Habanero's continued growth across the continent's regulated landscape. Having celebrated its MGA certification earlier this year, 2021 has seen the studio continue its tier one expansion, with multiple deals signed with major global operator brands in recent months.

Commenting on the deal, Arcangelo Lonoce, head of business development Europe at Habanero, said: "This deal is a decisive move forward in our penetration of Africa's regulated

landscape and we see the highly dynamic African market as a truly promising area for Habanero to continue to grow in.

"Now live in Ghana, we can't wait to start introducing our games to more and more players there than ever before." Kwabena Oppong-Nkrumah, head of marketing at Betway Ghana, added: "Betway has always considered Africa as a distinctive market, one where we can grow exponentially. Thanks to the latest deal with Habanero, we can now strengthen our leading position with the studio's hugely exciting titles."

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Embedding a GRC model into the organisation supported by a combined assurance framework and continuous monitoring enhances an effective internal control environment.

Understanding an organisation's GRC landscape adds value to the organisation by addressing emerging risk and compliance requirements to its overall strategic objectives. Within the evolving gambling industry benefit can be derived from the implementation of a GRC framework by integrating risks and compliance requirements to business objectives and processes. The continuous evolution bringing with it change in process and risk appetite is demonstrated through the introduction of cryptocurrency, upgrading of slot machines to introduce a level of skill to attract younger players and placing

bets through smartwatches amongst others as included in Team Linchpin's article dated 13 July 2021 "Trends transforming the Gambling and Casino industry 2021".

Governance, risk and compliance may not be the silver bullet to sustained business success however it does bring into perspective the importance of reconciling business objectives to emerging risks and compliance requirements.

GRIPP Advisory is well positioned to assist in supporting your governance, risk, and compliance journey having provided advisory services to clients in casino gambling, limited payout machines and paper and electronic bingo operations within South Africa and Africa. Our collective experience in the gambling industry includes, but is not limited to the provision of Governance, Risk Management, Internal Audit, Information Technology Advisory, Investigative

Services and drafting of Policies and Procedure frameworks.

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Adhika has 22 years professional work experience delivering external audit, internal audit and advisory services across various sectors, with 15 years spent in the hospitality and gaming industry.

Adhika is an innovative problem solver and change agent with unwavering courage to provide independent and objective observations by her clients.

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