

# Annual Report **2015-16**



Victorian Commission for  
Gambling and Liquor Regulation

The Victorian Commission for Gambling and Liquor Regulation (VCGLR) is a statutory authority of the State Government of Victoria created under the *Victorian Commission for Gambling and Liquor Regulation Act 2011*.

The State of Victoria owns the copyright in all material produced by the VCGLR. The State of Victoria and the VCGLR encourages the dissemination and reuse of information provided in this report.

All graphs and charts are sourced from the VCGLR unless otherwise specified.

Data provided in this report is correct as of August 2016.

The publication of the VCGLR Annual Report 2015–16 complies with requirements under the Financial Reporting Direction 30B regarding its design, use of colour and images, standard sizing, paper stocks and other publishing requirements.

All material provided in this report is provided under a Creative Commons 4.0 license, with the exception of:

- Any images, photographs or branding, including the Victorian Coat of Arms, the Victorian Government logo, the Department of Treasury and Finance logo, and the Commission logo; and
- Content supplied by third parties.



The license conditions are available on the Creative Commons 4.0 website

#### Attribution

Material obtained from this publication is to be attributed as:

© State of Victoria (The Victorian Commission for Gambling and Liquor Regulation)

# Contents

Letter to the Minister	1
Message from the Chair and the Chief Executive Officer	2
<b>About the VCGLR</b>	
Vision and purpose	6
Values	7
The Victorian Commission for Gambling and Liquor Regulation	9
Commissioners	10
Organisation	14
<b>Year in review</b>	
Milestones	20
Strategic priorities	22
Operational performance	30
Regulatory approach	31
<b>Appendices</b>	
Appendix 1 - Disclosure index	42
Appendix 2 - Ministerial directions and regulatory requirements	44
Appendix 3 - Additional information	45
Appendix 4 - Gambling and licensing	46
Appendix 5 - Liquor licensing	55
Appendix 6 - Compliance and enforcement	58
Appendix 7 - Governance	62
<b>Financial results</b>	
Comprehensive operating statement	76
Balance sheet as at 30 June 2016	77
Statement of changes in equity	78
Cash flow statement	79
Notes to the financial statements	80
Chair's, Accountable Officer's and Chief Financial Officer's declaration	129
Auditor-General's report	130



# Letter to the Minister

The Hon. Marlene Kairouz MLA  
Minister for Consumer Affairs, Gaming and Liquor Regulation  
Level 26, 121 Exhibition Street  
MELBOURNE VIC 3000

Dear Minister

I am pleased to submit the Victorian Commission for Gambling and Liquor Regulation Annual Report for the year ended 30 June 2016 for you to present to Parliament. The Annual Report has been prepared in accordance with the *Financial Management Act 1994* and the *Victorian Commission for Gambling and Liquor Regulation Act 2011*.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Bruce Cohen', written in a cursive style.

Dr Bruce Cohen  
Chair

## Message from the Chair and Chief Executive Officer



*The Victorian Commission for Gambling and Liquor Regulation (VCGLR) is pleased to present its 2015–16 Annual Report.*

*Much has been achieved across the organisation in the last 12 months as the VCGLR continues its journey in building an effective and integrated organisation. This report illustrates the breadth of work undertaken at the VCGLR as it pursues its vision of a safe and responsible gambling and liquor environment in Victoria.*

### Organisational review

At the request of the previous Minister for Consumer Affairs, Gaming and Liquor Regulation the Chair undertook a review of the organisation to assess its efficiency and regulatory effectiveness with the aim of enhancing its decision-making processes, structures, skills and organisational culture so as to improve the way in which it regulates the gambling and liquor industries.

The review presented to the Minister in November 2015 included recommendations relating to a range of areas including governance, the VCGLR's legislative framework and engagement with the Department of Justice and Regulation. It also considered what work was required to be done internally to enhance the operations of the VCGLR. Many of these actions have been implemented or have been incorporated into the organisation's 2016–17 business plan and provide guidance for the work still to be done.

Part of the review focused on the need to strengthen leadership for the organisation. A key step in response has been the appointment of Catherine Myers as CEO—providing the organisation with greater stability and an ability to drive and implement organisational improvements to core business functions and processes.

### Roadmap

In August 2015 the VCGLR released its Strategic Plan 2015–18 to build upon the progress made in establishing and transforming the organisation during its first three years. This coupled with the review by the Chair has provided a roadmap for the future.

This year, the VCGLR also implemented a new Integrity Framework. By employing best practice controls, we seek to protect integrity by exposing and preventing misconduct, corruption and fraud by having an integrated governance approach. To better integrate these activities and provide high-level oversight, the Integrity Compliance and Risk Forum was also formed.

The importance of having clear and well understood integrity controls is reflective of the VCGLR's expectation to conduct all activities at the highest standard and to be beyond reproach as an effective regulator.

To further improve operations and manage risk a review of delegations was also conducted. This has resulted in an enhancement of reporting processes regarding the decisions made by staff under delegation.

### People

Enhancing people capability at the VCGLR has continued to be a focus throughout the year. In recognition of this, the VCGLR has developed a Workforce Strategy that sets the overall direction for the achievement of three key objectives; to strengthen leadership, build people capability and enhance the culture of the organisation.

The first key piece of work relating to the strategy has been the development and implementation of succession planning, the implementation of which will provide focused investment in staff at the VCGLR.

In 2015–16 an organisational restructure affecting four out of six divisions was also implemented in order to realign resources to take advantage of natural synergies between roles and teams in order to best deliver on the VCGLR's Strategic Plan and legislative requirements.

The VCGLR also committed to a robust change program for its Compliance Division and in the year gone revised all standard operating procedures, actively engaged with co-regulators to build stronger relationships, re-focused performance management complemented with the development of a more structured training and development program for gambling and liquor inspectors. The change program aims to address short-comings identified and will support a more flexible service delivery operating model, provide a stronger statewide presence, improve access to information and strengthen co-regulatory partnerships at a local level.

#### Technology as an enabler

Since its establishment in 2012, the VCGLR has relied on aged technology infrastructure and in excess of 30 core applications that require varying degrees of modernisation and consolidation. In many ways, this has limited the speed at which the VCGLR can enhance our service delivery to be a more efficient and effective regulator. During 2015–16 we progressed the Liquor and Gambling Information System (LaGIS) and are now moving towards the final stages of implementation. We also developed an Information Technology Strategy 2015–18 in order to modernise and consolidate business applications, enhance online and mobile service delivery capability, update infrastructure through the use of cloud services and build business intelligence capability. A major delivery has been to move all business applications on to a single infrastructure allowing staff to now operate from a single computer with contemporary software. This foundation technology change provided a mechanism for further consolidation of applications leading to the deployment of a single document management system and a rebuild of the temporary limited licence application portal reducing licensing determination times from 15 days in January 2015 to 4.6 days in June 2016.

We would like to recognise the tremendous work of all who have contributed to the VCGLR over the last 12 months. In particular we note our appreciation for the work done by outgoing Commissioners Ms Gail Owen, Mr Robert Kerr and Ms Kate Hamond and thank them for their contribution as part of the inaugural Commission. This year the organisation welcomed the appointments of Ms Helen Versey as Deputy Chair and Ms Deirdre O'Donnell as Commissioner. The VCGLR would also like to acknowledge the support of both the Minister for Consumer Affairs, Gaming and Liquor Regulation, the Hon. Marlene Kairouz, as well as the previous Minister, the Hon. Jane Garrett.

Over the year, the VCGLR's Executive Team has continued to find ways to deliver business more efficiently and effectively, and has worked hard towards building a desired culture and their efforts to strengthen the organisation are to be commended.

Finally, we would like to thank the staff who work at the VCGLR for their efforts this year. We look forward to the year ahead that will see the VCGLR deliver key business plan initiatives aimed at improving our effectiveness as a regulator.



Dr Bruce Cohen  
Chair



Catherine Myers  
Chief Executive Officer

1

# About the VCGLR

# OUR VISION

---

**Victorians and visitors enjoy safe and responsible gambling and liquor environments.**

Victoria boasts a vibrant hospitality and tourism industry. The sale and enjoyment of gambling and liquor is a part of this. However, there can be significant economic and social costs to the Victorian community from gambling and alcohol-related harm. The VCGLR's vision reflects community expectations that gambling and liquor should be available but regulated to minimise the harm.

# OUR PURPOSE

---

**The VCGLR regulates Victoria's gambling and liquor industries to ensure their integrity and to minimise harm.**

The VCGLR regulates businesses focusing on the people, premises, products and promotions involved in the supply of gambling and liquor. It operates in a complex environment requiring a responsive regulatory framework to keep pace with industry trends. The VCGLR's purpose reflects the objectives of Victoria's gambling and liquor laws to focus regulatory efforts on ensuring industry integrity while minimising harm.

# OUR VALUES

---

The VCGLR is committed to the Victorian public sector values. Values guide the organisation to achieve its vision and purpose. They underpin the regulator's interactions internally and with its stakeholders.

## Work together

Encourage and support teamwork. Keep people informed. Consult to achieve shared goals. Develop and maintain positive working relationships. Acknowledge and celebrate success. Collaborate.

## Act with integrity

Accept accountability for actions. Act with honesty, fairness and reliability. Approach work with enthusiasm and commitment. Apply sound judgement and common sense. Embrace personal and professional development.

## Respect other people

Treat all people with respect. Seek different perspectives and approaches. Value work/life balance. Give and receive feedback constructively. Show consideration for others' ideas and contributions.

## Make it happen

Think and plan ahead. Focus on agreed priorities. Deliver on commitments. Meet agreed time-lines. Be responsive and flexible. Strive for excellence.



# The Victorian Commission for Gambling and Liquor Regulation

## Who we are

The VCGLR is the independent statutory authority that regulates Victoria's gambling and liquor industries. It is established under the Victorian Commission for Gambling and Liquor Regulation Act and is responsible for gambling and liquor licensing and for ensuring compliance with gambling and liquor laws and regulations. This includes informing and educating industry participants and the Victorian public about regulatory practices and requirements.

## What we do

As an independent statutory authority, the VCGLR's obligations are set out in several Acts of Parliament.

The VCGLR regulates:

- all forms of legalised gambling in accordance with the *Gambling Regulation Act 2003*, the *Casino Control Act 1991*, *Casino (Management Agreement) Act 1993* and the *Racing Act 1958*
- the supply and consumption of liquor in accordance with the *Liquor Control Reform Act 1998*.

## Who we regulate

The VCGLR regulates liquor licensing and a range of gambling activities and products, including the operation and monitoring of electronic gaming machines (EGMs), the Melbourne casino, Keno, minor gaming and wagering and betting.

It oversees approximately 21,500 liquor licences, more than 630 Keno outlets and almost 730 wagering and betting agents—while also managing the statewide cap of up to 30,000 EGMs.

It also assesses and determines more than 4500 gambling activities annually, such as gaming industry employee and casino special employee licensing, bookmakers and venue operators and community and charitable gaming.

## Commission

The Governor in Council, on the recommendation of the Minister for Consumer Affairs, Gaming and Liquor Regulation, appoints Commissioners to act as the VCGLR's statutory officers.

Commissioners are accountable for statutory decision-making and are also the equivalent of directors of a public sector board responsible for strategy, governance and risk management. Their statutory decisions relate to a range of matters including the grant, variation and transfer of licences and permits, disciplinary actions against licensees and permittees and reviews of the decisions made under delegation by individual Commissioners or members of staff.

The Chair convenes and presides at Commission meetings and contributes to decision-making. This position has a casting vote on matters where there are equal votes, as well as a deliberative vote. The Chair is also the public service body head for the purposes of the *Public Administration Act 2004* with respect to employment matters.

In conjunction with the Chief Executive Officer (CEO), the Chair and other Commissioners determine and oversee arrangements for the internal governance of the VCGLR to ensure clear lines of accountability and reporting, a consistent approach to decision-making, disciplined performance and ethical, transparent relationships with stakeholders. The Commission has formed three governance committees relating to people and culture, audit and risk and legislation, regulation and policy.

## Commissioners



### Bruce Cohen, Chair

Dr Cohen has an extensive background in public policy, regulatory development and government administration. He holds degrees in law and commerce from the University of Melbourne, as well as a doctorate in public policy from The Australian National University.

Dr Cohen has also served as a director on the boards of VENCORP, Snowy Hydro Ltd and Melbourne Water, and was previously Chair at VicTrack. He also served as a Commissioner with the Victorian Competition and Efficiency Commission (VCEC) for its inquiry into reform of Melbourne's retail water sector, and is currently on the board of City West Water.



### Helen Versey, Deputy Chair

Ms Versey has significant experience at senior executive and CEO levels in the public service sector.

She holds a combined honours degree in law and sociology from Exeter University (United Kingdom). Ms Versey worked in private practice as a litigation lawyer and advocate prior to joining the Western Australia Equal Opportunity Commission. She was a member of the Commission's Corporate Executive and acted as Commissioner in the Commissioner's absence.

Ms Versey served as the Victorian Privacy Commissioner from 2006 to 2012.



### Ross Kennedy PSM, Deputy Chair

Mr Kennedy has an extensive background at senior levels in service to the Victorian Government and was the Executive Director responsible for liquor, gaming and racing at the Victorian Department of Justice immediately prior to his appointment as a Commissioner—a role he'd performed for over 10 years. During his time in that position, Mr Kennedy led significant change in the regulation of Victoria's gambling and liquor industries.

Between 1994 and 2003, Mr Kennedy was the Executive Director of Sport and Recreation Victoria, during which time he was awarded an Australian Public Service Medal for outstanding service, most notably in the development of Victoria's sport and recreation infrastructure.

## Deirdre O'Donnell PSM, Commissioner

Ms O'Donnell has extensive experience in executive roles in the public and not-for-profit sectors. She has qualifications in arts and education, with an MBA and a Masters in Commercial Law from the University of Melbourne.

Ms O'Donnell was State Ombudsman in Western Australia, Ombudsman for the Telecommunications Industry Ombudsman and the inaugural New South Wales Information Commissioner.

In 2008, Ms O'Donnell was awarded the Public Service Medal for outstanding public service as the State Ombudsman for Western Australia. The award recognised her work as a member of the State Records Commission and as the first Electricity Ombudsman for Western Australia.



## Des Powell AM, Commissioner

Mr Powell is an experienced senior executive and director within the private and public sectors. His previous positions include Director and Deputy Chair of the Port of Melbourne Corporation, Chair of the Alpine Resorts Coordinating Council, Commissioner of the State Services Authority, Deputy Chair of the National Transport Commission and Independent Chair of the National Marine Safety Committee Incorporated.

Currently he is Chair of Federation Training, Director of Victorian Regional Channels Authority and a Director of Grampians Wimmera Mallee Water.



## Outgoing Commissioners



### Gail Owen OAM, Deputy Chair

Ms Owen has served as a Commissioner of the former Victorian Commission for Gambling Regulation (VCGR) and as President of the Law Institute of Victoria. She has held senior legal positions with Gadens Lawyers, Blake Dawson Waldron, EZ Industries Ltd and CRA Ltd. Ms Owen is a current partner of HWL Ebsworth Lawyers.

Ms Owen's term ended in August 2015.



### Kate Hamond, Commissioner

Ms Hamond has an extensive background as a consumer advocate and regulator. Prior to her appointment to the VCGLR, she was Chairman of the Board of Third Age Directions Pty Ltd, CEO of the Australian Retirement Village Association and served as Victorian Legal Ombudsman between 1999 and 2005. Ms Hamond is a board member of Castlemaine Health and the Lort Smith Animal Hospital.

Ms Hamond's term ended in August 2015.



### Robert Kerr, Commissioner

Mr Kerr has a background as a senior economic policy executive with both the Commonwealth and Victorian Governments. He was a Commissioner at the Victorian Competition and Efficiency Commission (VCEC) between 2004 and 2010, Head of Office at the Productivity Commission from 1996 to 2004 and a senior executive at the Commonwealth Treasury from 1983 to 1990. Mr Kerr is also an Honorary Research Fellow with the Brotherhood of St Laurence and was a member of the Victorian Government's National Disability Insurance Scheme Implementation Task force.

Mr Kerr's term ended in August 2015.

Table 1: Commission meetings, inquiries and hearings 2015–16

<b>Inquiries</b>				
	<b>Matters Determined</b>	<b>Private Inquiry (no hearing)</b>	<b>Private Inquiry (private hearing)</b>	<b>Public Inquiry</b>
Gaming—new premises	1	0	0	1
Gaming—electronic gaming machine increase	10	0	0	10
Gaming—appeal against refusal to renew community/charitable organisation declaration	2	0	0	2
Gaming—appeal against self-exclusion order	13	4	9	0
Gaming—extension of time to complete works	5	4	0	1
Liquor—contested application	1	0	0	1
Liquor—internal review	22	4	0	18
Liquor—section 91 disciplinary action	2	0	0	2
Liquor—application to revoke barring order	1	1	0	0
<b>Total</b>	<b>57</b>	<b>13</b>	<b>9</b>	<b>35</b>
<b>Hearings</b>				
Directions hearings				6
Hearings				45
<b>Meetings</b>				
Regular				12
Special				8

# Organisation

## Catherine Myers, Chief Executive Officer

Ms Myers has an extensive background in communication, education, strategy, planning and client services within both the public and private sectors.

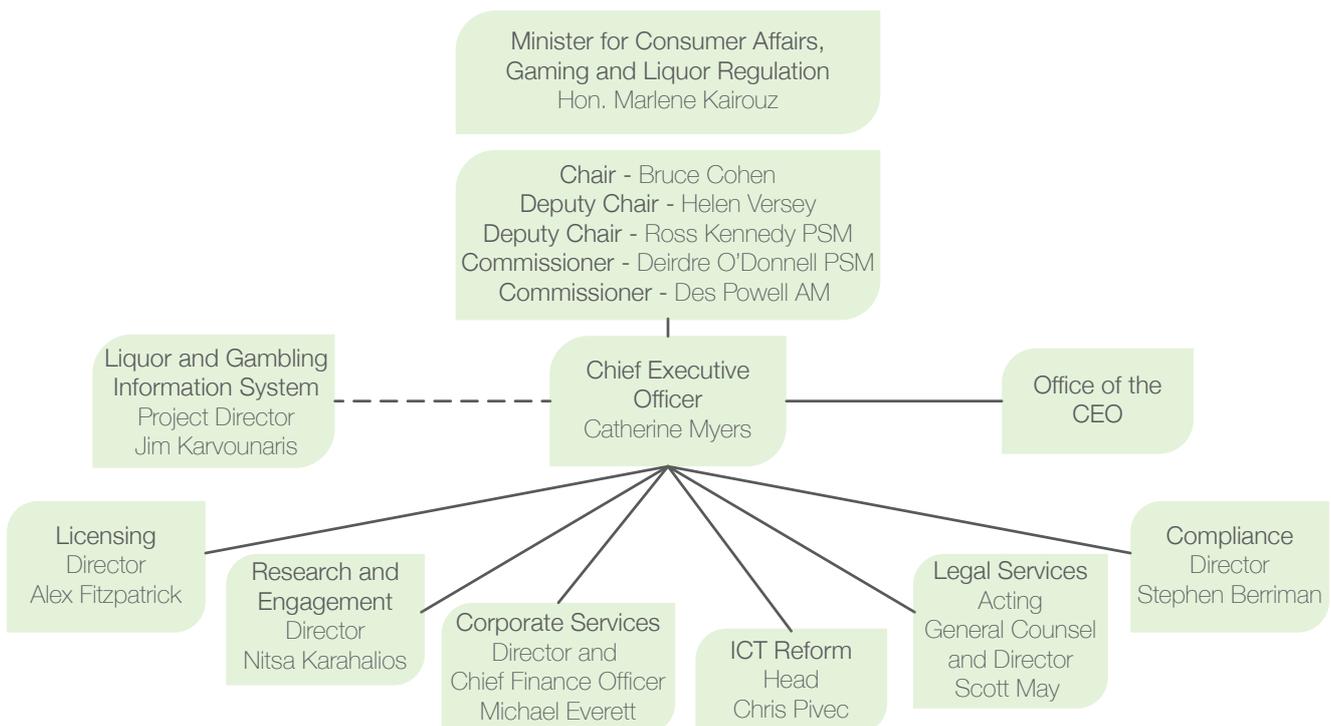
In July 2015, Ms Myers was formally appointed as CEO. Prior to her appointment, Ms Myers served as the Director of Strategy and Planning at the VCGLR leading strategy development and business planning, risk management, ICT, strategic communications and client services.



## Organisation structure

The VCGLR’s organisation structure includes an administrative office and six divisions that report to the CEO.

In 2015–16, an organisational restructure established three new divisions, Research and Engagement, ICT Reform and Corporate Services. The restructure also realigned policy functions with the Legal Services Division. The organisational change sought to optimise structural design and resource allocation to better deliver core activities and achieve strategic priorities. The strategic initiative of LaGIS is supported by a temporary project team with post implementation to be embedded into ICT Reform.



## Office of the CEO

The Office of the CEO is an administrative office and responsible for key strategic relationships with the portfolio department, other government agencies, industry and community stakeholders.

It facilitates the provision of information and advice to the Minister and the VCGLR's portfolio department and manages strategic issues as they arise. It is also responsible for ensuring processes are in place for risk and compliance monitoring in accordance with the VCGLR's risk management framework.

Further, the Office of the CEO is responsible for strategic and business planning and monitoring organisational performance.

## Compliance

The Compliance Division is responsible for inspecting, monitoring, educating, investigating and enforcing compliance with Victoria's gambling and liquor legislation.

The division utilises a risk-based, intelligence-led compliance approach to identify and treat risks within Victoria's gambling and liquor industries. This aims to regulate these industries appropriate to the level of risk they pose to the community. The division's focus aims to treat risks using an educative approach to encourage compliance. Non-compliance results in appropriate enforcement action.

VCGLR inspectors are responsible for conducting inspections of licensed gambling and liquor venues throughout Victoria to ensure licensees and venue operators are aware of, and comply with, their legislative obligations. The division also perform system audits of major licensees to ensure approved procedures and controls are in place.

Inspectors work collaboratively with other VCGLR divisions and co-regulators, including Victoria Police and local municipal authorities, in order to uphold the culture and integrity of harm minimisation in the gambling and liquor industries.

## Licensing

The Licensing Division is responsible for licensing and approvals activities, including assessing and determining applications for gambling and liquor licences, permits and approvals.

It also monitors standards of industry participants through the administration of the demerit points system, the community benefit statement returns by clubs, bingo and raffle returns, instalment payments for gaming machine entitlements, and the monitoring of gaming industry participants.

Licensing staff undertake gambling audit and risk assurance by conducting risk-based audit functions to ensure the integrity of gambling operations within Victoria and the accuracy and completeness of all stakeholder distributions from gambling.

The division is responsible for the management of major licences which involves regulatory oversight through the development of strong relationships with major licensees and key industry stakeholders, monitoring the performance and compliance with licences and identifying and managing risks for the achievement of desirable regulatory outcomes.

It also reviews licensing practices and procedures for efficiency and accuracy and develops guidance to facilitate consistency in delegated decision-making by licensing staff.

## Research and Engagement

The Research and Engagement Division includes regulatory strategy, communication, client services, education and stakeholder engagement functions.

It leads contemporary regulatory thinking, collaborating internally and externally with government, regulators and researchers, to improve regulatory practice. The division also plays a role in critically assessing and evaluating the organisation's activities to improve service delivery and to more broadly inform policy work.

Staff provide leadership and advice on communication activities across the organisation and lead the development of the VCGLR's digital strategy. The division also leads the education function of the VCGLR by developing and managing training programs and providing advice on how to reach, engage and train stakeholders. It also manages the VCGLR's involvement in liquor forums and accords and industry and community related events.

The division's Client Services team responds to and triages initial enquiries to the organisation from the public and industry through face-to-face, phone and email interaction.

## Corporate Services

The Corporate Services Division provides finance and support services including all accounting and reporting functions, building and facilities, procurement, document management and office administration. It is responsible for ensuring accurate, transparent, timely management of, and reporting on, the financial performance and associated transactions of the VCGLR, as well as collection of licence and taxation revenue and compliant, prompt, efficient and accessible support services.

It also incorporates the organisation's people and culture functions including provision of strategic advice in relation to staff development and change management programs, related governance requirements, industrial and employee relations, payroll management, workforce planning, internal communications, capability development, organisational culture, leadership growth and occupational health and safety.

Corporate Services supports the Commission's People and Culture Committee in advising and assisting the Chair in relation to his role as the public service body head and ensuring that policies and procedures are developed and implemented meeting legislative and regulatory requirements and organisational needs.

## ICT Reform

The ICT Reform Division was established as a champion of change to accelerate the delivery of sustainable technology enhancements for the VCGLR and its stakeholders. The division is responsible for the modernisation of applications, technology infrastructure, desktop environments and provides ICT service desk functions to the organisation.

It supports the VCGLR's suite of business systems, information technology and communications infrastructure and protects technology assets from a range of external threats and disasters. As ICT Reform continues to maintain current business systems and infrastructure, it also seeks to improve internal efficiencies through application modernisation and consolidation considering emerging technology advancements.

The division delivers innovative technology solutions that meet the current and foreseeable needs of the VCGLR within a controlled financial setting whilst providing improved services to the gambling and liquor industries. It promotes high performance and efficiency leading to modern, low-cost and timely solutions to business-driven demand.

## Legal Services

The Legal Services Division is the provider of legal, regulatory and policy services to the VCGLR and is responsible for setting and implementing a modern, comprehensive corporate governance framework.

The division advises the Commission and its staff on legal matters and prosecutes offences on behalf of the Commission. It represents the Commission in appellate and review proceedings and its staff acts as Counsel Assisting in Commission inquiries. The Legal Services Division supports implementation of Victorian Government policy and assists other divisions to operationalise regulatory reforms. It also provides registry and secretariat services, necessary for the efficient processing of Commission business.

In a strategic role, the division manages the Commission's governance obligations. It has responsibility to ensure compliance with legislative requirements governing such areas as freedom of information, privacy, protected disclosures and aspects of the Public Administration Act. As part of this governance responsibility, the Director, Legal Services and General Counsel is also the Commission's nominated anti-corruption officer. The Director, Legal Services and General Counsel also works closely with the Audit and Risk Management Committee to ensure it receives accurate information and that its governance recommendations are effectively implemented. The division also supports the Commission's Legislation, Regulation and Policy Committee by providing quality advice and support regarding legislation, regulation and policy matters, to assist the Commission to effectively fulfil its regulatory obligations and improve the way the Commission regulates, in accordance with its legislative framework and strategic priorities.



2

A year in  
review

## July

- Catherine Myers appointed as CEO
- Development of the Information Technology Risk Management Framework

## August

- The Knowledge Exchange visits Wangaratta
- Appointment of Deputy Chair Helen Versey and Commissioner Deirdre O’Donnell and reappointment of Commissioner Des Powell
- Development of the Information Technology Strategy 2015–18
- Rollout of Windows 8 and Microsoft Office 2013

## September

- VCGLR Strategic Plan 2015–18 released
- Client Services Charter released
- Maximum patron capacity policy simplified
- Establishment of the Legislation, Regulation and Policy Committee and People and Culture Committee

## October

- Transfer application process simplified
- Gambling and liquor community stakeholder forums
- Memorandum of understanding signed with Victoria Police
- Implementation of the “One PC, One Network” Project

## November

- Implementation of internal online knowledge management tool for Licensing staff
- Temporary liquor application processes streamlined
- Implementation of TRIM Corporate Document Management System

## December

- Commencement of regulatory oversight of YourPlay obligations.

2015

MILESTONES

# January

- Appointment of Director and Deputy Director to the Compliance Division

# February

- Workforce Strategy 2015–18 developed

# March

- Review of wine and beer producer's licence conditions completed
- The Knowledge Exchange visits Frankston
- Implementation of automated address validation
- New integrity framework implemented

# April

- VCGLR directions, rules and guidelines updated
- Gambling and liquor community stakeholder forums
- Compliance Division Management Accountability Framework

# May

- Annual liquor forum chairperson meetings—City of Greater Shepparton and the City of Casey
- Commencement of new quality assurance process for the review of determined application files
- Implementation of VCGLR Connect
- The Knowledge Exchange visits Ararat
- Commission meeting and stakeholder forum in Ararat
- Working group with Victoria Police to develop a coordinated approach to noise and amenity complaints management

# June

- Modernisation of network infrastructure and improvements to secure printing and on-boarding staff technologies
- Review of recruitment policies and procedures completed

2016

# Strategic Priorities

In August 2015 the VCGLR released its Strategic Plan 2015–18 to build upon the progress made in establishing and transforming the organisation during its first three years.

The plan will guide the work of the VCGLR for the next three years with a focus on maturing and strengthening organisational operations. Along with the new plan the VCGLR introduced a new vision and purpose, reflecting community expectations of the availability of gambling and liquor and aligning with the organisation's regulatory approach and commitment to maintaining industry integrity while minimising harm.

As a modern, networked, efficient and high-performing regulator, the VCGLR's goals are:

- the right regulation, in the right circumstance, for the right risk
- work with industry, community and other stakeholders to reduce harm
- the best outcome using the most effective means
- engaged people with the right capabilities, working together to deliver outcomes.

# Modern

Being modern means to lead and engage in contemporary regulatory practice, using research and evidence from a wide range of sources.

Therefore, the VCGLR will continually innovate how it licenses, educates, monitors and enforces, creating an opportunity for a greater focus on higher risk activities, individuals and businesses. Importantly, as a modern regulator, the VCGLR will measure and be accountable for the effectiveness of its regulatory approach.

## Modernising conditions

Between November 2015 and March 2016, the VCGLR undertook a project to modernise the conditions for the wine and beer producer's licence category. As part of the project, approximately 409 licences were amended to remove historical and inconsistent conditions and replaced with licence conditions that are more flexible, modern and accurately reflect modern Victorian winery and brewery businesses.

In May 2016, the VCGLR commenced a project to modernise conditions imposed on licences that relate to catering businesses. This project is progressing in consultation with affected licensees and Victoria Police.

## VCGLR directions

In April 2016, the VCGLR completed a review of VCGLR directions, rules and guidelines that apply to certain licensees, associates and nominees under gambling legislation. Outcomes from the review included consolidation of 14 separate and previously issued directions into two new directions. It included changes to the situation of gambling industry participants, and changes to the situation of nominees or associates of gambling industry participants.

## Memorandum of understanding

In October 2015 the VCGLR entered into a memorandum of understanding with Victoria Police. The agreement formalises joint operational work undertaken and the exchange of information to better inform VCGLR operational planning in relation to inspections. Already this agreement has led to an increase in joint operations in 2015–16 and the provision of relevant Victoria Police law enforcement data to the VCGLR.

## New business system implementation

The VCGLR continues to progress its implementation of the LaGIS project. The new system seeks to replace compliance operations legacy systems to deliver an integrated gambling and liquor information technology system and in turn improve operational efficiency by delivering contemporaneous recording of inspection data and inspector mobility through the utilisation of mobile devices.

By introducing a single database for compliance information, it is anticipated that the VCGLR will be better enabled to conduct risk-based profiling of licensed entities and allow inspectors in the field to conduct and record the outcome of inspections in real-time.

The project has experienced delays due to the complexity of the data migration from legacy systems and errors identified in testing. These issues are currently being addressed and the VCGLR expects that user acceptance testing and staff training will occur in the new financial year.

## Networked

As a networked regulator the VCGLR acknowledges the diverse number of bodies and groups with whom it co-regulates to achieve positive outcomes. It looks for ways to partner, collaborate and share information so that the agency best placed to address the harm is able to do so.

The VCGLR works with industry to achieve high levels of voluntary compliance and encourage better management practices. It engages with the Victorian community to help them to understand regulations, the obligations of industry and how they can participate in the reduction of harm.

### Increase in joint operations for a safer Victoria

In 2015–16, the VCGLR conducted 35 joint operations with Victoria Police, the Metropolitan Fire Brigade and local government—exceeding the government-set target by 75 per cent. The second quarter of the year saw the completion of 20 joint operations alone due to the large number of cultural and sporting events taking place during the spring to early summer months.

Participation with Victoria Police in ‘Operation Definition’ is an example of the VCGLR working with its co-regulators. The operation targeted venues within the CBD with high-risk closed-circuit television (CCTV) conditions imposed and focused on audits of CCTV systems to ensure full coverage of each area under electronic surveillance. Enforcement action resulted in infringements being issued to a number of licensees.

In addition, the VCGLR conducted a number of responsible gambling focused joint operations with Responsible Gaming Liaison Officers from the Melbourne casino. These operations were conducted with a focus on locating excluded patrons, identifying potential minors and ensuring the observance of responsible gambling principles by casino employees.

### Amenity and noise complaints

Licensed premises can have a significant impact on the amenity of the surrounding area. While they often contribute to the culture and prosperity of an area, the presence of a licensed premises can attract more visitors to the surrounding area, sometimes resulting in increased noise and other amenity issues, particularly over the summer months. Licensees have a legal responsibility to ensure their venue operation does not detract from the amenity of the area.

The VCGLR shares amenity regulation with Victoria Police and local councils. In 2015–16, stakeholder

engagement with Victoria Police and a selection of local council delegates resulted in the formation of a working group to develop a shared framework to address individual agency responsibilities in relation to the management of amenity and noise complaints against liquor licensees. The framework seeks to include clear definitions and boundaries for regulatory agencies coupled with a problem-solving approach to the management of recidivist licensees and is expected to be completed for implementation for summer 2016–17.

### Late night freeze

In 2015–16, the Victorian Government extended the freeze guidelines on the granting of new liquor licence applications for licensees wanting to trade past 1am in the local government areas of Melbourne (including Docklands), Stonnington, Yarra and Port Phillip until 30 June 2019.

In extending the freeze, the guidelines were amended to include new requirements and conditions. The VCGLR consulted with local councils and developed materials explaining the new guidelines to assist councils and applicants.

### Committed to customer service

This year, the VCGLR adopted a new client services charter. The VCGLR regularly engages with a wide range of stakeholders including potential and current licensees, hospitality staff, local government, community groups and members of the public.

The new service charter outlines what customers can expect when dealing with the VCGLR, providing an overview of its service targets including answering calls in a timely manner and responses to emails and letters. The charter also highlights what customers can expect when contacting the VCGLR and provides an understanding of what issues are not within its regulatory remit.

## Connecting with stakeholders

The VCGLR has a broad range of stakeholders and provides information on the work it undertakes and seeks feedback from the community and industry on gambling and liquor issues. The VCGLR deals with numerous stakeholders across three sectors ranging from government agencies and community groups to industry bodies.

In 2016, the VCGLR launched “VCGLR Connect”, a web-based stakeholder management system. VCGLR Connect is a dynamic record of the VCGLR’s major stakeholders including key representative contact details.

Recording stakeholder interactions ensures the VCGLR can expand its understanding of stakeholder challenges and concerns. The system is an essential tool in building a reliable record of emerging issues and industry trends. It supports the VCGLR in developing and maintaining its important relationship with major stakeholders and partner agencies.

Security protocols and role based access rights ensure stakeholder information is collected and treated sensitively and in accordance with the *Privacy and Data Protection Act 2014*.

## Stakeholder events

The Knowledge Exchange events hosted by the VCGLR provide an opportunity to engage, educate and inform the gambling and liquor industry. At the events, the VCGLR presents information and provides literature on the latest developments in the industry, giving an insight into how the VCGLR regulates and at the same time seeking feedback from industry. Presenters have included VCGLR staff and representatives from Good Sports, Victoria Police, industry and the Department of Justice and Regulation.

In 2015–16, The Knowledge Exchanges took place in Frankston, Wangaratta and Ararat as part of an ongoing commitment to educating and engaging with licensees and other stakeholders across Victoria.

For the first time, the VCGLR Commissioners held a commission meeting in regional Victoria. The Ararat meeting was also used as an opportunity to meet with industry stakeholders to discuss current regional issues. Meeting with industry, community and local government representatives in a regional setting enabled the Commission and Executive to gain a better understanding of local issues and hear about their experience in dealing with the VCGLR.

Throughout the year, the VCGLR also held four community stakeholder forums, two each for gambling and liquor. These forums allow the VCGLR to monitor issues that may be arising in the community, provide insight and feedback to community and industry leaders as well as provide an open channel of communication between the VCGLR and active community groups who operate in the gambling and liquor environment.

In 2015–16, the VCGLR held targeted meetings for particular stakeholder groups to better understand their needs and target communication and education efforts towards their specific requirements. The VCGLR met with representatives from the not-for-profit sector and those that held packaged liquor and restaurant and cafe licences. Through this engagement, the VCGLR has established ongoing relationships enabling appropriate and timely responses to enquiries and the provision of information through existing channels. The meetings have led to a greater understanding of the needs and issues faced by these industry groups.

## Efficient

The VCGLR recognises the cost of regulation on businesses and seeks to minimise this burden reasonably and appropriately in order for both industry and the regulator to share the benefits of more efficient regulation.

Applying risk-based approaches to licensing and compliance activities allows the VCGLR to respond flexibly to the regulatory environment. Regulatory actions should be consistent, transparent and timely, avoiding unnecessary intervention or cost to the operations of regulated entities.

### Simplified processes for low risk and transfer applications

In November 2014, the VCGLR made significant enhancements to the temporary limited licence application portal to enable applicants to lodge their temporary limited licence applications online. Over the next six months, the VCGLR continued to make enhancements to the online portal, including streamlined assessment processes for low risk events and electronic notifications to successful applicants.

As a result, 99 per cent of applications for a temporary limited licence are now being lodged online. The VCGLR has also reduced average determination times for temporary limited licences from 15 days in January 2015 to 4.6 days in June 2016.

The VCGLR has also simplified the process for applicants to inform the VCGLR that they have the right to occupy the premises when applying to transfer a liquor licence or BYO permit.

Previously, applicants were required to provide both a declaration that they have the right to occupy the premises and evidence that settlement had occurred. Evidence was usually in the form of a statutory declaration or letter from a solicitor.

Now, applicants are only required to submit one document, rather than two. The right to occupy declaration form only asks applicants to specify the date settlement occurred. The new declaration of right to occupy form is available on the VCGLR website. The right to occupy declaration can only be submitted after settlement has occurred.

This simplification has resulted in a decrease in average determination time from 56.97 days in 2014–15 to 50.7 days in 2015–16 (these figures include the 30 day statutory waiting period for objections).

### Maximum patron capacity

The VCGLR has simplified the document requirements to determine a venue's maximum patron capacity.

Previously applicants and licensees were required to provide three documents to support their applications, however applicants now need to submit only one document, being either a planning permit, an occupancy report or a registered building surveyor report. In the first instance, the maximum patron capacity will be determined on the basis of the maximum patron capacity provided for in the latest planning permit. This change to policy makes the process simpler and more efficient, as well as saving industry the cost of obtaining a building surveyor report.

### Development of the information technology strategy and risk management framework

The VCGLR Information Technology Strategy 2015–18 aims to have the organisation achieve:

- maximum benefit from technology innovations
- increased operational capability
- enhanced online and communications.

It also seeks to deliver efficiencies to support the VCGLR in undertaking its regulatory and administrative functions. The strategy plays an important role in supporting the business functions of licensing, compliance monitoring and enforcement, client services and stakeholder engagement, education, corporate services and revenue collection.

The organisation also developed an Information Technology Risk Management Framework to provide an accurate view of significant information technology-related risks throughout the organisation.

It provides end-to-end guidance on how to manage information technology related risks and provides an understanding of how effective information technology risk management enables business process efficiency, improves quality, and reduces waste and costs.

## Information technology— improved capability and modernisation

This year there was significant progress against the Information Technology Strategy 2015–18 to address business requirements to support and modernise the VCGLR.

In 2015-16, the VCGLR developed an information technology roadmap to drive business strategy forward and allow the ICT Reform Division to focus on the strategic priorities in addition to short-term needs of the organisation.

Information technology systems were upgraded to enable licences to be granted in a more efficient way and allowing the VCGLR to send and receive objections to and from Councils electronically.

“One PC, One Network” was rolled out organisation wide giving staff access to Windows 8, Microsoft Office 2013, Follow-Me printing and a single corporate document management system.

Real-time accurate reporting was implemented, combined with the consolidation of some 20 reports into four, which has led to a significant uplift in capability, timeliness and consistency in data reporting.

Automated address validation was implemented as a collaborative effort with the Emergency Services Telecommunications Authority presenting information on the state's 20,000 individual liquor licences in an interactive website tool that geo-codes the data and presents it in an easy-to-use format.

In 2015-16, the VCGLR implemented the web platform Drupal, allowing the VCGLR to build natively mobile-aware websites providing improved user experience for all devices. In addition to its agile framework, Drupal has emerged as the platform of choice underpinning digital transformation across government. The VCGLR's progressive rollout of online applications for licensees and replacement of its website will utilise the Drupal platform.

Information technology security and network infrastructure was also modernised to improve reliability and performance and to reduce risk, resulting in a sound platform for continued modernisation in applications and online services.

# High-performing

People, values and culture are essential elements of a high-performing organisation. The VCGLR focuses on the development of its staff, to build knowledge, expertise and personal attributes which support its regulatory role. The VCGLR works collaboratively across the organisation, is proactive and solution focused.

## VCGLR integrity framework

In 2015–16, the VCGLR developed an integrity framework to ensure its operations are conducted transparently with the highest standard of accountability, integrity and probity and in the public interest. The framework provides an integrated governance approach to promote a culture of integrity and to expose and prevent corruption, fraud and other losses.

The Integrity Compliance and Risk Forum, comprising senior leaders of the VCGLR, provides oversight of the framework's implementation.

## Review of internal policies and procedures

The Integrity Risk Management Strategy was approved by the Commission on 17 December 2015. The strategy is an integrated organisational approach to the management of integrity risks. It defines the objectives, responsibilities and the reporting and review cycle.

During 2015–16 the VCGLR reviewed its people related integrity policies and processes. This resulted in a new consistent approach to recruitment, selection and induction and allowed for the deployment of a technology based solution to enable the process.

## Workforce strategy

In 2015–16 the VCGLR developed its Workforce Strategy 2015–18 aligning to the VCGLR Strategic Plan 2015–18.

The strategy is designed to ensure all staff understand their roles and responsibilities in respect of their own professional development and that tools and capabilities are developed to assist and support in this process.

Through the strategy, the VCGLR aims to achieve the following three key strategic objectives:

- Leadership—Develop collegial and effective leaders at all levels who model VCGLR values.
- Capability—Build capability to address strategic priorities.
- Culture—Shape a culture and structure that helps achieve strategic goals.

## Succession planning

The VCGLR implemented succession planning in 2015–16 to further develop organisational stability and sustainability by ensuring that the VCGLR has a plan to support continuity when key people leave the organisation and identifies qualified and motivated people who can be brought into the organisation when vacancies arise. The succession planning framework aligns the VCGLR's vision and human resources demonstrating an understanding of the need to have appropriate staffing to achieve strategic plans and a commitment to developing career paths for employees.

## Learning and development

In 2015–16 the Compliance Division commenced a learning and development plan to incorporate professional recognition for inspectors authorised under the Victorian Commission for Gambling and Liquor Regulation Act. This program provides for staff to complete an authorisation course aligned with the nationally recognised certificate program for government investigation and compliance. The program aims to provide a job specific training package for inspectors incorporating a blended learning approach to enable the development of transportable investigative skills. The program will also provide for advanced training options to enable high-performing inspectors the opportunity to enhance their skills to a higher level.

The program will continue to develop into 2016–17 with the first round of graduates expected to finalise their certification in quarter three of 2016–17.

## Compliance change program

An internal review conducted in 2015–16 made a number of recommendations to improve compliance operational activities, policies and processes. A change program was introduced to assist the Compliance Division in meeting its legislated objectives, particularly addressing harm minimisation associated with the gambling and liquor industries. As a result a Management Accountability Framework was developed and implemented to inform standards, management expectations and procedural and auditing requirements of all activities carried out by inspectors.

A dedicated training program was also designed to provide inspectors with the necessary training to adequately and consistently perform their duties and establish the level of skills and knowledge required in their appointment as an inspector.

Other areas of concern related to the governance functions across the division, the risk-based model and appropriate targeting of resources. Significant changes to the Compliance Division operating model and roster requirements have been proposed to more effectively manage resources and enable the targeting of inspectors to high-risk harms during high-risk times. This is currently being negotiated between management and staff.

To support the implementation of these proposals, the Compliance Division's operating model was also reviewed and an internal task coordination group formed. This group will assist in identifying and prioritising thematic risk areas and strategies to address and inform operational focus areas. The risk-based model for the compliance and regulatory approach is being further reviewed to determine best practice and to modernise processes. This includes a number of capacity building and capability development initiatives, such as the harms mapping tool which will be used to aid in the targeting of inspections utilising historical breach data and other liquor-related harm information. The full realisation of the Compliance Division change program will appreciably change divisional operations and ensure a contemporary risk-based regulator.

## Internal online knowledge management tool

In November 2015, an existing online knowledge management tool used by Client Services was extended to Licensing to provide a repository of all internal operational policies and guidelines, strengthening consistency in decision-making across Licensing and the advice provided by Client Services.

## Review of determined applications

In May 2016 a new quality assurance (QA) audit process commenced where, on a monthly basis, a random selection of applications determined by the Licensing Division is reviewed. The objective of this audit process is to identify areas of improvement and efficiency, and monitor the quality of decision-making. To date, the monthly QA reviews have resulted in changes to existing operational processes and internal policies, and identified areas for targeted training to strengthen knowledge of staff members to understand applications processed by the division.

## Industry survey

In 2015–16 the VCGLR conducted its annual industry perception survey of the gambling and liquor industries. The survey primarily examines the VCGLR's performance in delivering its key intent, its effectiveness in minimising harm and the effectiveness of its regulatory approach.

Interviews were conducted with 500 licensees from a mix of gambling and liquor licence categories, as well as small to medium sized businesses across metropolitan and regional Victoria.

The 2016 survey reported that:

- 95 per cent of licensees were satisfied the VCGLR was delivering its key intent
- 98 per cent of licensees were satisfied with the quality of information provided during a compliance inspection
- 90 per cent of licensees were satisfied with overall process when varying or changing their licence category or conditions.

# Operational performance

## Performance outputs

The Victorian Government's *Budget Paper 3: Service Delivery* (BP3), provides an overview of the goods and services funded by the Government and delivered by departments, and how these support the Government's strategic priorities and objectives.

The performance measures placed on the VCGLR fall under the output group Industry Regulation and Support: Gambling and Liquor Regulation and Racing Industry Development. This output group delivers activities relating to the regulation of the gambling and liquor industries, harm minimisation, and support and development of the racing industry.

**Table 2: VCGLR BP3 outputs for 2015–16**

Major Outputs/Deliverables Performance measures	Unit of measure	2015–16 Actual	2015–16 Target	Variance
<b>Quantity</b>				
Liquor and gambling approvals, licence, permit applications and variations determined by VCGLR <sup>1</sup>	number	46,400	46,000	1.0%
Liquor and gambling information and advice (VCGLR)	number	126,188	128,000	-1.4%
Liquor and gambling inspections completed by the VCGLR—metropolitan <sup>2</sup>	number	11,835	11,400	4.0%
Liquor and gambling inspections completed by the VCGLR—regional <sup>2</sup>	number	2512	1600	57.0%
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated <sup>3</sup>	number	35	20	75.0%
<b>Quality</b>				
Liquor and gambling licensing client satisfaction (VCGLR)	per cent	95	80	18.8%
<b>Timeliness</b>				
Calls to VCGLR client services answered within 60 seconds <sup>4</sup>	per cent	84.4	96	-12.1%
Liquor and gambling approvals, licence, permit applications and variations completed within set time VCGLR <sup>5</sup>	per cent	94	80	17.8%

**Notes:**

In 2015–16, some of the VCGLR's BP3 measures changed. The 2014–15 measure in relation to compliance inspection outcomes was removed as it related to internal processes and did not provide meaningful information about the services provided by the VCGLR.

1. The measure in relation to VCGLR licensing activities was renamed for increased clarity and the target increased in line with the outcome from the previous year.

2. The measure in relation to VCGLR compliance activities was replaced with two new measures—gambling and liquor inspections conducted in metropolitan and in regional Victoria, to provide greater clarity and transparency regarding the nature of compliance activities conducted.

3. A new measure with co-regulators to reflect the VCGLR's focus on high harm activities and cooperation between co-regulators.

4. The measure in relation to calls to client services was renamed however the renaming resulted in a change in the activities counted. The measurement of this target in 2014–15 was responsive and required 96 per cent of calls answered. In 2015–16 this was changed to 96 per cent of calls to be answered within 60 seconds.

5. A new measure for determination times of liquor and gambling approvals and licence and permit applications.

# Regulatory approach

The VCGLR uses an integrated approach to performing its regulatory functions that is focused on:

- using the VCGLR's licensing, information and education, monitoring and enforcement functions in combination to solve problems recognising that it is more effective if different regulatory tools are used in combination
- achieving regulatory objectives and outcomes for the community.

Information and education is used in all stages of the regulatory cycle to support voluntary compliance. Information gathered from monitoring the gambling and liquor industries informs the VCGLR's functions. Action is coordinated across the VCGLR's functions to reduce inconsistency for the gambling and liquor industries and improve operational effectiveness.

# License

A particular focus for the VCGLR is making sure that it has the appropriate processes in place in its licensing function to afford natural justice to individuals and businesses.

## The Lotteries Evaluation Project

The current public lottery licence, held by Tattersall's, expires on 30 June 2018 and the Victorian Government has decided that the next single licence will be awarded for a period of 10 years.

Under the Gambling Regulation Act, the Minister for Consumer Affairs, Gaming and Liquor Regulation awards the licence following a two stage process. Both the Department of Justice and Regulation and the VCGLR play a role in the licence award process.

In late 2014–15 the VCGLR commenced the Lotteries Evaluation Project to meet its legislative requirement to report to the Minister about whether:

- the registrants from the Registration of Interest stage meet specified criteria
- each licence application referred to the Commission meets legislative requirements.

Once the evaluations by the VCGLR and the department have concluded for both stages the Minister will then determine whether to grant or refuse an application, and award the licence to the successful applicant.

The first stage of the VCGLR's evaluation concluded in April 2016 with a report of its evaluation findings submitted to the Minister.

The VCGLR is working closely with the department to plan for the next stage of the evaluation, with the Minister expected to invite any applicants to apply for a licence in the first quarter of the next financial year.

## Implementation of casino review recommendations

The VCGLR completed its major review of the casino operator in 2013–14. This was known as the Fifth Review of the Casino Operator and Licence and the first conducted by the VCGLR. The review's key purpose under section 25 of the Casino Control Act was to

investigate the casino operator's suitability and report this to the Minister, as part of the VCGLR's ongoing regulatory oversight of the licence.

The review was released on 14 August 2013 and found Crown Melbourne Limited, the company that operates the Melbourne casino, suitable and compliant. The report on the review made 10 recommendations for improvement that focused on ensuring the Melbourne casino adheres to best practice in key areas - five of the recommendations related to responsible gambling, four related to corporate governance and one related to the availability of game rules.

As at 30 June 2016, Crown Melbourne Limited had completed the implementation of nine of the recommendations. The remaining recommendation related to Crown Melbourne Limited conducting a trial on the use of player data analysis as an initial indicator to identify players who may be having problems with their gambling and providing a report to the Commission with the findings of the trial. At the end of 2015–16, the Commission was still considering the report provided by Crown Melbourne Limited. It has since determined that Crown Melbourne Limited has completed this remaining recommendation.

## Application determination times

In 2015–16 a new measure was set for the VCGLR by the Victorian Government for 80 per cent of liquor and gambling approvals and licence and permit applications to be determined within set time frames. This was done to reflect the efficiencies the VCGLR has driven in relation to different licensing activities.

**Table 3: VCGLR licensing outputs for 2015–16**

<b>Performance Measure</b>	<b>Target</b>	<b>Target achieved</b>
Gambling and liquor approvals, licence and permit applications and variations determined by VCGLR within set times	80%	94.2%
<b>Licensing activity</b>	<b>Set time (days)</b>	<b>Target achieved<sup>1</sup></b>
Venue operator's licence	115	90.0%
Minor gaming permit	5	79.0%
Gaming industry employee and casino employee licence	11	91.3%
Declaration as community or charitable organisation	21	88.6%
Application for permanent liquor licence	77	96.6%
Application for a BYO permit	46	82.5%

Note:

1. Percentage of applications determined within target set time.

# Inform and educate

The VCGLR targets two key audiences for its information and education activities:

- individuals and businesses involved in the gambling and liquor industries
- the Victorian community.

## Industry training

Training is a legislative requirement for many working in the industry and also serves as an introduction to the VCGLR’s regulatory approach whereby education is an effective tool to reduce the risk of non-compliance and harm to the community.

New entrant training courses, recognised by the VCGLR, ensure liquor licence applicants and transferees have adequate knowledge of legislation. It is a requirement for all new licensees to complete this training prior to being granted a licence or becoming a nominee. The club seminar program meets this need for club licensees, helping sporting and community clubs manage the service of alcohol responsibly and reduce alcohol-related harm. These courses have been delivered to 2668 participants over the last year.

Responsible Service of Alcohol (RSA) training is mandatory for licensees and staff selling, offering or serving liquor for general, on-premises, late night and packaged liquor licences, or if it is a condition on their licence. The RSA program gives participants the skills and knowledge necessary to contribute to a safe, enjoyable environment in licensed premises. Over the last year 75,530 students have completed the RSA program delivered by registered training organisations who are accredited by the VCGLR.

To maintain RSA training it is necessary to complete a refresher course every three years. The aim of this refresher is to keep skills up to date and informed about any major changes. During the past year 37,967 participants have undertaken an online refresher course via the VCGLR website.

Registered training organisations and trainers are accredited by the VCGLR to ensure that training is delivered to agreed high standards. The VCGLR runs RSA Train the Trainer courses to provide an understanding of the legislation, skills and knowledge required to present the RSA course.

The last year has seen 44 new trainers awarded with an RSA Train the Trainer certificate.

The Advanced RSA training course was launched in 2014 and was developed in partnership with William Angliss Institute. Designed for licensees, managers and staff of late night venues, who often face different challenges and issues, the course is also a requirement when applying for a new late night (general and on-premises) licence. Some licensees who, due to non-compliance, have been penalised by the VCGLR are also required to undergo the training course. There have been 75 participants in Advanced RSA during 2015–16, with 12 of those due to enforceable undertakings.

All employees working in gaming machine areas must complete an approved Responsible Service of Gaming (RSG) training course within the first six months of starting work. The course aims to prepare staff for some of the duties, legislation and problems when working in a gaming venue. This course is delivered by registered training organisations (RTOs) approved under section 9A.1.18(3) of the Gambling Regulation Act. During 2015–16 the VCGLR approved nine RSG courses.

**Table 4: Training participant numbers for 2015–16**

Course activity	Number of participants
Responsible Service of Alcohol	75,530
Responsible Service of Alcohol online refresher	37,967
Train the trainer program	44
New Entrant Training	2335
Clubs Seminar program	333
Advanced RSA program	75
Advanced RSA as a result of enforceable undertaking	12

## Liquor forums and accords

With more than 80 liquor forums across the state, liquor industry representatives meet and develop strategies to improve the operation of licensed premises and reduce alcohol-related harm in their local areas. These forums are led by Victoria Police members, local council representatives or licensees, with the VCGLR supporting these meetings by providing resources, educational material and regular email updates that provide important information about legislative changes and obligations. Representatives from the VCGLR including education officers, executive and compliance inspectors attended 89 liquor forums this financial year.

The VCGLR, with Victoria Police, approves liquor accords. A liquor accord is a written document that sets out specific aims, actions and objectives that provide practical solutions to local alcohol-related problems and recommend a range of programs and strategies to promote harm-minimisation principles. In 2015–16, the VCGLR approved five new liquor accord documents.

In 2016, Deakin University completed a review which critiqued the effectiveness of Victoria's liquor forums. This study was one part of the VCGLR's ongoing program to evaluate the efficiency and effectiveness of its regulatory approach. The literature review of forums across Australia and around the world found examples where measurable benefits may have been achieved in the short-term, but faded over time. The VCGLR will examine whether a sustained focus and continued momentum can turn short-term outputs into long-term harm reduction.

The VCGLR continues to promote and support liquor forums as a key tool for communication, education and information sharing—all aspects highly rated by liquor forum attendees and stated as one of the prime reasons why they attend. The VCGLR sees this as an important function it shares with Victoria Police and other partners such as local councils.

## Liquor forum chair meetings

The VCGLR held its annual liquor forum chairperson meetings. The majority of liquor forum chairpersons are members of Victoria Police with the remainder being local council representatives or licensees. The VCGLR hosted two meetings, one in the City of Greater Shepparton and one in the City of Casey.

The meetings provide the opportunity to hear and share learnings and ideas on forum initiatives and outcomes. The VCGLR's approach to proactive engagement with forums helps us develop educational material and provide ongoing input to ensure that forum chairpersons and members are up to date and know what is required to remain compliant.

## Racing integrity and wagering regulation

In November 2015, the VCGLR attended a training program hosted by Victoria's Racing Integrity Commissioner.

The training modules were designed for integrity officials from the three racing codes—stewards, investigators and compliance officers. In introducing a new module on wagering, the VCGLR was invited to present from the perspective as the wagering regulator, providing an overview of the VCGLR, what it does and how it regulates the wagering industry.

# Monitor

The VCGLR monitors the activities of the gambling and liquor industries in order to detect where individuals and businesses are not complying with their regulatory obligations.

## Stricter rules on sports controlling bodies

New reporting requirements for sports controlling bodies came into effect on 1 August 2015 increasing the VCGLR’s regulatory oversight of the sports betting market. Sports peak bodies may apply to be declared sports controlling bodies by the VCGLR, provided they are able to demonstrate appropriate strategic, operational and integrity policies including a code of conduct.

The new reporting requirements require sports controlling bodies to report to the VCGLR:

- any changes to integrity policies, rules or codes of conduct
- any breaches of integrity codes, rules or codes of conduct
- action taken to investigate potential or actual breaches
- investigation findings.

Reporting deadlines are strict, and in some cases, are as short as 14 days. These reporting requirements enhance the VCGLR’s regulatory oversight of the sports betting market and role of sports controlling bodies in maintaining their sports betting integrity processes and policies.

All sports controlling bodies will be required to report annually on their integrity processes, policies and rules to the VCGLR—even if no breaches have taken place.

## Monitoring integrity processes for sports controlling bodies

The VCGLR aims to foster the integrity of betting on sporting events within Victoria by promoting fair information and revenue sharing between sports controlling bodies and sports betting providers.

Approval as a sports controlling body provides the opportunity to receive a share of the revenue betting providers receive when offering betting markets on these respective events.

The VCGLR conducts periodic reviews into approved sports controlling bodies to investigate and evaluate their integrity processes and policies as well as their ability to monitor and enforce their own integrity systems. The VCGLR reviews closely any information provided by sports controlling bodies under the Gambling Regulation Act and works closely with other regulators, including Victoria Police, to monitor match-fixing and other integrity concerns. It also retains the ability to initiate additional reviews as required.

In 2015–16 the VCGLR reviewed and affirmed the suitability of both the Australian Rugby Union and the National Rugby League to remain as sports controlling bodies. The reviews included, but were not limited to, determining the ongoing suitability of the sports controlling bodies’ policies, rules, codes of conduct and other mechanisms designed to ensure the ongoing integrity of these sports.

## Monitoring high-risk times

The VCGLR aims to address high-risk harms stemming from the irresponsible service and supply of liquor. To address this harm, during 2015–16 the Compliance Division increased its targeting of licensed venues post-midnight to assess compliance with the Liquor Control Reform Act by conducting eight per cent of its liquor inspection activities between the hours of midnight and 7am.

Data analysed from this approach indicates that the rate of harm-related breaches increases 10 per cent during this time frame when compared to breaches recorded outside of this period. These breaches include offences in relation to minors accessing liquor, intoxication and drunk, patron capacities, CCTV coverage and other

breaches in relation to the supply of liquor outside of the conditions of the respective licence.

The VCGLR will continue to dedicate resources to addressing harms during these hours during 2016–17 by aiming to achieve 12 per cent of liquor inspections between the hours of 10pm and 7am.

## New accounting and auditing venue requirements

In 2015–16, the VCGLR determined new accounting and auditing requirements for gaming venue operators. The new requirements incorporated legislative and policy changes and included additional auditing requirements for unclaimed winnings and jackpot management.

These new requirements form part of the Venue Manual which assists gaming venue operator compliance with regulatory responsibilities. The Venue Manual contains regulatory guidelines determined by the VCGLR under the Gambling Regulation Act.

The requirements set out the financial accounting and auditing requirements for venue operators including important obligations such as how gaming taxes must be remitted to the VCGLR and how prizes must be paid to patrons.

Templates were also designed to assist licensees in achieving their auditing and accounting requirements.

The VCGLR conducts regular financial and operational reviews of gaming venues to ensure adherence to accounting and auditing requirements and disciplinary action may be taken against a venue operator for non-compliance.

# Enforce

The aim of the VCGLR's enforcement regime is to encourage individuals and businesses regulated by it to choose to comply with their obligations.

The VCGLR takes enforcement action:

- to remedy non-compliance with gambling and liquor laws
- where appropriate, to take action against individuals and businesses for non-compliance with gambling and liquor laws.

## Demerits points system

Introduced in February 2012, Victoria's liquor licence demerit points system aims to improve compliance levels by encouraging responsible business practices in licensed premises. Under the demerit points system, licensees incur one demerit point for each non-compliance incident with points recorded against the licence for three years. At 30 June 2016, 68 demerit points were recorded across 59 different venues compared to 81 demerit points across 65 venues in 2014–15.

Under the Liquor Control Reform Act, current licensees whose premises incur a demerit point(s) are not permitted to apply to the VCGLR to have the demerit point(s) removed. An application to remove any demerit points from a licence can only be made by a new licensee once the licence has been transferred. The Commission granted one application to remove two demerit points from one licence in the last financial year. Six demerit points expired for five licences within the most recent reporting period.

## Star rating discount for licensees

In 2015, 80 per cent of liquor licensees with a 'five star rating' received a 10 per cent discount and six per cent with a 'four star rating' received a five per cent discount on their 2016 annual liquor licence renewal fees.

The star rating scheme was introduced in February 2012 as an incentive to reward licensees who have recorded two or more consecutive relevant periods without a non-compliance incident. Liquor licences began at a three star level at the commencement of this system and at the commencement of a new licence. Under the legislation, non-compliance incidents include unlawful supply of alcohol to underage or intoxicated persons on licensed premises.

Thirty-four licences did not receive the discount because of non-compliance incidents. Sexually explicit entertainment venues are not eligible to receive discounts under the scheme.

## Key enforcement outcomes

A range of actions are available to the VCGLR to address issues of non-compliance with Victoria's gambling and liquor legislation. These include the issuance of written warnings, infringement notices, enforceable undertakings, disciplinary action, and if necessary, the prosecution of offences in court. The resultant action taken by the VCGLR depends on a number of factors, including relative harm to the community, history of non-compliance and the severity of the situation.

The Commission completed two disciplinary action inquiries into the conduct of liquor licensees during the 2015–16 financial year. The first matter involved an inquiry into the conduct of Mr Jack Poon regarding the premises trading as Karaoke Box Hit Studio, where the Commission determined that grounds for disciplinary action existed due to repeated breaches of licence conditions and for permitting drunken or disorderly persons on the premises. Following the inquiry, the Commission imposed a fine of \$10,000 against Mr Poon, varied the licence conditions and accepted a written undertaking from Mr Poon that is binding for three years.

The Commission also took disciplinary action against Faye L Pty Ltd in relation to the premises trading as Vicks 9 Karaoke. In that matter, the Commission determined that there were grounds for disciplinary action for permitting drunken and disorderly persons on the premises, repeatedly breaching licence conditions and supplying of liquor outside authorised trading hours. As a result, the Commission imposed a fine of \$10,000 against Faye L Pty Ltd and disqualified directors of the

company from holding a licence or being connected with the management of any licensed premises for up to three years.

Other than disciplinary action proceedings, the VCGLR may also prosecute persons at court for contravening any gambling and liquor legislation. As evident in the last annual report, the majority of the VCGLR's prosecutions involved offences by persons breaching their casino exclusion orders under the Casino Control Act.

However, the VCGLR has experienced a decline in the number of prosecution matters this financial year due to a legislative amendment which conferred powers upon the VCGLR's inspectors to issue infringement notices in respect to these offences.

The VCGLR prosecuted Tabcorp Wagering Pty Ltd (Tabcorp) last year in relation to allowing a minor to gamble, resulting in Tabcorp entering a 12 month diversion program. The Diversion Order required Tabcorp to conduct a statewide audit of the placement of Electronic Betting Machines (EBTs) in all of Tabcorp's Victorian agencies and licensed venues, to distribute guidelines to its agencies in relation to the placement of EBTs and issue monthly advices that set out responsibilities regarding minors under the Gambling Regulation Act. Further, Tabcorp was required to ensure that all of its agents attended a face to face training course within three months of the program, where the course included training on their obligations in relation to minors and responsible gambling and finally, for Tabcorp to make a donation of \$1000 to a responsible gambling organisation. On 20 May 2016, after an analysis of Tabcorp's evidence, the VCGLR wrote to the Melbourne Magistrates' Court advising that, in its view, Tabcorp had complied with the terms of the order.

Compliance inspectors issued 1393 informal warning letters under the Liquor Control Reform Act. These warning letters provide an opportunity for the licensee to rectify non-compliance issues without further penalty.

In 2015–16, 387 infringement notices were issued under the Liquor Control Reform Act.

A number of key enforcement outcomes in relation to intoxication offences and minors accessing liquor and gambling products were detected during 2015–16 and included:

- fifteen breaches in relation to the supply of liquor to intoxicated persons or permitting a drunk person on a licensed premises
- eight breaches of permitting a minor to gamble
- eighteen breaches of permitting a minor onto a licensed premises

- one breach of secondary supply of liquor to a minor by an individual who is not a licensee
- two breaches of licensee supplying liquor to a minor.

These breaches recorded represent a significant increase in detection capability compared with 2014–15.

For example, during spring 2015, inspectors carried out a number of large scale operations focussing on the detection of minors accessing liquor and gambling products as a component of the 2015 Spring Racing Carnival. These operations included joint operations with Victoria Police and involved covert observations of licensed premises, racetracks and off-course gambling venues.

Examples of enforcement action included:

- inspectors utilising tip out powers under section 128(1) of the Liquor Control Reform Act after seizing liquor from minors
- acting covertly, inspectors observed multiple examples of minors placing wagers on and off racecourses throughout metropolitan Melbourne and regional Victoria.

3

# Appendices

## Appendix 1 - Disclosure index

The annual report of the VCGLR is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the VCGLR's compliance with statutory disclosure requirements.

Legislation	Requirement	Page No.
<b>Ministerial Directions</b>		
<b>Report of operations—FRD guidance</b>		
<b>Charter and purpose</b>		
FRD 22G	Manner of establishment and the relevant Ministers	9, 62
FRD 22G	Purpose, functions, powers and duties	9
FRD 22G	Key initiatives and projects	23–39
FRD 22G	Nature and range of services provided	14–16
<b>Management and structure</b>		
FRD 22G	Organisational structure	14
<b>Financial and other information</b>		
FRD 8D	Performance against output performance measures	30
FRD 10A	Disclosure index	42
FRD 12A	Disclosure of major contracts	67
FRD 15C	Executive officer disclosures	67
FRD 22G	Employment and conduct principles	64
FRD 22G	Occupational health and safety policy	64
FRD 22G	Subsequent events	123
FRD 22G	Application and operation of <i>Freedom of Information Act 1982</i>	69–70
FRD 22G	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	70
FRD 22G	Statement on National Competition Policy	70
FRD 22G	Application and operation of the <i>Protected Disclosure Act 2012</i>	70
FRD 22G	Details of consultancies over \$10,000	68
FRD 22G	Details of consultancies under \$10,000	68
FRD 22G	Disclosure of ICT expenditure	68
FRD 22G	Statement of availability of other information	72
FRD 24C	Reporting of office-based environmental impacts	71
FRD 25B	Victorian Industry Participation Policy disclosures	67
FRD 29A	Workforce Data disclosures	65–66
SD 4.5.5	Attestation for compliance with Ministerial Standing Direction 4.5.5	63
<b>Financial statements required under Part 7 of the FMA</b>		
SD 4.2(a)	Statement of changes in equity	78
SD 4.2(b)	Comprehensive operating statement	76

Legislation	Requirement	Page No.
SD 4.2(b)	Balance sheet	77
SD 4.2(b)	Cash flow statement	79
<b>Other requirements under Standing Directions 4.2</b>		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	81
SD 4.2(c)	Compliance with Ministerial Directions	44
SD 4.2(d)	Rounding of amounts	83
SD 4.2(c)	Accountable officer's declaration	128
SD 4.2(f)	Compliance with Model Financial Report	128
<b>Other disclosures as required by FRDs in notes to the financial statements*</b>		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	116–119
FRD 11A	Disclosure of ex gratia expenses	116
FRD 13	Disclosure of Parliamentary Appropriations	116
FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	120–121
FRD 103F	Non Financial Physical Assets	96
FRD 110	Cash Flow Statements	79,115
FRD 112D	Defined Benefit Superannuation Obligations	105

\*Note: References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure

Legislation	Page No.
<i>Building Act 1993</i>	70
<i>Casino (Management Agreement) Act 1993</i>	9, 82
<i>Casino Control Act 1991</i>	9, 32, 39, 51, 60–62, 82
<i>Financial Management Act 1994</i>	1, 62, 81, 120, 128
<i>Freedom of Information Act 1982</i>	69
<i>Gambling Regulation Act 2003</i>	9, 32, 34, 36–37, 39, 44, 51, 61, 82
<i>Liquor Control Reform Act</i>	9, 36, 38–39, 55, 60–61, 82
<i>Privacy and Data Protection Act 2014</i>	25
<i>Protected Disclosure Act 2012</i>	70
<i>Public Administration Act 2004</i>	9, 16, 66–67
<i>Racing Act 1958</i>	9, 82
<i>Victorian Commission for Gambling and Liquor Regulation Act 2011</i>	1, 9, 28, 44, 62, 81–82

## Appendix 2 - Ministerial directions and regulatory requirements

Ministerial directions and guidelines are issued by the relevant Minister and published in the Government Gazette. The directions and guidelines set the direction for gambling and liquor licensing in Victoria, and are taken into account by the VCGLR in licensing decisions.

There were two Ministerial directions made during the year. Ministerial directions are listed on the VCGLR website.

**Table 5: Ministerial directions issued in 2015–16**

Order	Issued
S204 - Decision-making guidelines pursuant to section 5 of the Victorian Commission for Gambling and Liquor Regulation Act	20 July 2015
<b>Applications for liquor licences to trade after 1am</b>	
G43—Ministerial direction under section 3.2.3(1) of the Gambling Regulation Act	29 October 2015
<b>Pre-commitment</b>	

**Table 6: Electronic gaming machines limits imposed by Ministerial direction and regulatory requirements as at 30 June 2016 compared with 30 June 2015**

	Number		Percentage (%)	
	2015	2016	2015	2016
Gaming machine entitlement limits imposed by section 3.4A.5 of the Gambling Regulation Act.	27,372	27,372	100	100
Allocated to venue operators	27,091	27,011	98.97	98.68
Number of gaming machines entitlements attached to an approved venue	26,532	26,492	96.93	96.79
<b>Gaming machine entitlements inside / outside the Melbourne Statistical Division (MSD)</b>				
Minimum outside MSD	5474	5474	20	20
Maximum inside MSD	21,898	21,898	80	80
Current outside	7841	7810	28.65	28.53
Current inside	19,395	19,426	70.86	70.97
<b>Number of gaming machine entitlements</b>				
Venue condition 'Hotel'	13,686	13,686	50	50
Venue condition 'Club'	13,550	13,550	49.50	49.50
<b>Number of gaming machines entitlements attached to an approved venue</b>				
Venue condition 'Hotel'	13,591	13,633	49.65	49.81
Venue condition 'Club'	12,941	12,859	47.28	46.99

## Appendix 3 - Additional information

Information available on the VCGLR website includes:

- bingo centres and commercial raffle organisers
- codes of conduct
- Commission decisions and reasons for decisions following hearings and inquiries
- community benefit statements
- demerits register
- enforceable undertakings
- gaming machine expenditure data broken down by local government area (monthly) and venue (six-monthly)
- fees and penalties
- gaming machine entitlements
- gaming signage
- gaming venue operators
- information on regional caps and municipal limits on the number of permissible gaming machines available for gaming in each capped region
- interactive map of liquor licences, Keno and wagering outlets and gaming venues
- liquor licences
- liquor signage
- laws and regulations
- Ministerial directions
- RSG training course providers
- RSA training course providers
- Roll of Manufacturers, Suppliers and Testers
- self-exclusion programs
- VCGLR directions and guidelines.

## Appendix 4 - Gambling licensing-related activity

### Employee licensing

The VCGLR issued 2993 new licences and 424 renewed licences for gaming industry employees, casino special employees and bookmaker's key employees in 2015–16. There were 33,634 active licences at 30 June 2015, compared to 33,138 at 30 June 2016.

**Table 7: Number of active gaming employee licences and registrations at 30 June 2016**

Category	2013–14	2014–15	2015–16
Casino special employees	3970	4070	4574
Gaming industry employees	29,456	28,703	28,353
Bookmaker's key employees	208	204	211
<b>Total</b>	<b>33,634</b>	<b>32,977</b>	<b>33,138</b>

### Minor gaming

In 2015–16 the VCGLR determined 304 applications to be declared as community and charitable organisations and 128 applications seeking to renew their status to enable legitimate community and charitable gaming activities such as bingo and raffles.

The VCGLR issued 692 permits for other minor gaming activities, such as authorising raffles or fundraising events to be conducted, and lucky envelopes.

### Commercial licensing

The VCGLR undertook 1033 assessments relating to the structure, probity and financial status of participants involved in the Melbourne casino, gaming and racing industries. This included companies, associations, partnerships and individuals seeking approval to operate gaming or bingo venues, supply EGMs, organise commercial raffles, or supply goods and services to the Melbourne casino.

It also undertook activities relating to the ongoing monitoring of all commercial licence holders to identify any changes in structure, addition of associates or any adverse probity or financial issues. The VCGLR considered applications relating to responsible gambling codes of conduct, the transfer of gaming machine entitlements and amendments to gaming machine entitlement conditions.

### Gambling products

The VCGLR determined 221 changes to the electronic systems and equipment that underpin lotteries, casino gaming, Keno, gaming machine monitoring, and wagering and betting. Some of these changes improved system efficiency, while others supported the introduction of new or amended gambling products.

In addition to system changes in relation to gambling products, since December 2015 Intralot's electronic monitoring system is also being assessed for its ability to facilitate statewide pre-commitment known as YourPlay. Twenty-three approvals were determined in relation to the YourPlay system.

The VCGLR also determined applications for approval from manufacturers and suppliers for 212 new games or gaming machines, and 636 variations to existing games or gaming machines, to be supplied to both gaming venues and/or the Melbourne casino.

### Ongoing monitoring

In 2015–16 integrity of sports betting was a key focus for the VCGLR. The VCGLR conducted a risk-based and intelligence-led periodic review of three sports controlling bodies to assess their suitability to remain approved as sports controlling bodies for the sports betting events for which they are responsible. Reviews of two of these bodies were completed and each agency was found suitable to remain an approved sports controlling body. The investigation of the third sports controlling body was at an advanced stage at the end of the financial year.

In 2015–16, the VCGLR initiated disciplinary action in relation to 32 gambling industry licence holders: 25 matters were finalised and seven are yet to be completed. A further eight were finalised which were initiated in previous reporting periods.

Six venue operators were issued with letters of censure and one venue operator was fined \$5000 for failing to lodge an audited Community Benefit Statement by 30 September 2015. There were no such breaches in the previous financial year.

## Sports betting and other approved betting events

In Victoria, the wagering and betting provider, Tabcorp, must only take bets on racing products or on betting events that have been approved by the VCGLR for betting purposes. During the year, the VCGLR considered two applications from Tabcorp to approve an event for betting purposes. One new sports betting event, bowls, was approved as suitable for betting. The other, the Ultimate Fighting Championship, an event to be conducted in Melbourne in November 2015, was not approved.

In 2015–16, the VCGLR approved no new sports controlling bodies. As of 30 June 2016, there were 10 approved sports controlling bodies.

## Responsible gambling codes of conduct and self-exclusion programs

Commercial gambling providers are required to implement an approved responsible gambling code of conduct, and if they operate a gaming venue, conduct an approved self-exclusion program.

The VCGLR is required to report to the Minister by 30 September each year on the operation and effectiveness of the codes of conduct and the self-exclusion programs.

## Gaming machine entitlements

The VCGLR manages the attachment, amendment, transfer, payment and extension of relevant holding periods relating to gaming machine entitlements. In 2015–16, it determined and granted:

- thirty-six applications for the amendment of the geographic conditions attached to an entitlement relating to 97 hotel entitlements and 172 club entitlements
- forty-three applications for the transfer of entitlements, relating to 476 hotel entitlements and 146 club entitlements
- fifty-three applications to extend the entitlement holding period.

As of 30 June 2016, 80 club entitlements were forfeited, bringing the total of forfeited entitlements to 289. The 80 entitlements were forfeited as the venue operators ceased gaming operations and were unable to sell these club entitlements.

As of 30 June 2016, 408 entitlements (357 club entitlements and 51 hotel entitlements) were subject to the holding period provisions. The holding periods for these entitlements have been extended by the VCGLR upon application by entitlement holders.

**Table 8: Gambling licensing-related activity**

Licence or approval type			2014–15	2015–16
Gaming industry employee	Issued	New	1914	1909
		Renewal	306	254
		Replacement	336	332
	Refused		7	7
	Appealed		0	0
Casino special employee	Issued	New	605	1075
		Renewal	72	170
		Replacement	113	127
		Upgrade	107	64
Casino operator		Associate	2	2
Venue operator	Issued	New	7	9
		Renewal	64	42
		Nominee	123	105
		Associate	1093	737
		Amendment	17	27
		Endorsement	1	0
	Refused		0	0
Bookmakers	Issued	Sole traders (new)	13	10
		Sole traders (renewal)	4	0
		Corporate (new)	0	0
		Corporate (renewal)	0	0
		Partnerships (new)	11	1
		Partnerships (renewal)	1	0
		New nominee	0	0
		New associate	2	3
		Replacement	0	0
	Refused		2	1

Table 8: Gambling licensing-related activity (cont.)

Licence or approval type			2014-15	2015-16
Bookmaker's key employees	Issued	New	11	9
		Replacement	2	1
Bingo centre operator	Issued	New	1	1
		Renewal	2	0
		Nominee	3	1
		Associate	15	6
		Amendment	3	0
	Refused	2	0	
Commercial raffle organisers	Issued	New	2	3
		Renewal	1	0
		Nominee	3	3
		Associate	17	25
		Amendment	n/a	n/a
Roll of Manufacturers, Suppliers and Testers	Issued	New	1	2
		Associate	63	36
Public lottery	Issued	Associate	2	2
Wagering and betting	Issued	Associate	1	7
Keno	Issued	Associate	1	1
EGM monitor	Issued	Associate	4	3
Minor gaming permits	Issued	Raffles	547	471
		Bingo (notifications)	46	21
		Lucky envelopes	337	179
		Fundraising events	26	21
		Amendments	183	151
	Refused	1	0	

**Table 8: Gambling licensing-related activity (cont.)**

Licence or approval type			2014–15	2015–16	
Declaration of community or charitable organisation	Issued	New	332	286	
		Renewal	178	128	
	Refused		11	18	
	Appealed		2	1	
		Appeal granted		1	0
		Appeal rejected		0	2
		Appeal pending		1	0
Gambling product	Approved	New EGMs and EGM games	178	212	
	Approved	Modification to EGMs, games and systems	737	654	
	Approved	Linked jackpot arrangements in venues	122	474	
	Approved	Modification to wagering system	82	90	
	Approved	Modifications to Keno system	13	13	
	Approved	Modification to lottery system	47	40	
	Approved	Modification to Casino systems & equipment	39	60	
	Approved	Variations to betting rules	1	2	
	Approved	Variations to lottery rules	10	1	
	Approved	New or variations to casino games or rules	15	11	
	Approved	Sports betting event	0	1	
	Approved	Sports controlling body	1	0	

## Gambling audit and risk assurance

### Revenue and operational assurance

The VCGLR conducted audit activities throughout the year to provide revenue and operational assurance across all gambling products as part of its responsibilities under the Gambling Regulation Act and the Casino Control Act.

Through the process of direct sweeping of gaming tax from a venue's nominated bank account, the VCGLR has successfully collected 99.99 per cent of taxes payable from gaming venues, with only \$26,921.28 outstanding since 16 August 2012. A single venue failed to remit the required taxes in 2015–16 due to the venue entering into administration. Part payment was received in relation to the debt and the other un-recovered amount forms part of the \$26,921.28 outstanding since 2012.

The VCGLR also independently calculated and verified tax receipts in relation to other gambling products within two weeks of tax being paid. All variances were promptly addressed with operators and additional payments, and associated penalties, received as required.

Gambling expenditure data was also validated and published on the VCGLR website in a timely manner. Such data is scheduled for release in line with expectations of external stakeholders, being on the fourth Friday after the conclusion of the month.

### Gambling player loss and taxes and levies paid 2015–16

At 30 June 2016, player loss in its various forms within Victoria amount to \$5,840 million, and taxes and levies paid to the State of Victoria amounted to \$1,686.5 million.

**Table 9: Player loss and taxes paid by category**

	Player loss	Taxes and levies paid into the Consolidated Fund
Source	\$m	\$m
Gaming machines - hotels and clubs	2,616.7	984.1
Melbourne casino - gaming machines and table games <sup>1</sup>	1,851.7	218.6
Wagering-racing (totalisator), football, track-side and sports betting	826.9	55.6
Lotteries <sup>2</sup>	525.0	423.4
Keno	19.7	4.8
<b>Total:</b>	<b>5,840.0</b>	<b>1,686.5</b>

**Notes:**

1. In relation to consolidated taxes for 2014–15, super tax of \$4.36 million is included in the schedule of Melbourne casino taxes above, which were paid at the end of July 2015.

2. Victoria only.

**Table 10: Applicable taxation rates, by venue type and gambling type**

<b>Gaming machines - hotels and clubs 2015–16</b>			
	Average monthly player loss per machine		
	less than \$2666	between \$2666 and \$12,499	above \$12,500
Clubs	0	46.70%	54.20%
Hotels <sup>1</sup>	8.33%	55.03%	62.53%
<b>Casino gaming machines and table games 2015–16</b>			
General player casino tax (tables only)	22.25%		
General player casino tax (gaming machines only)	32.57%		
Commission based player tax (tables and gaming machines)	10%		
Community Benefit levy (all players)	1%		
<b>Wagering 2015–16</b>			
Totalisator (parimutuel) betting	7.60%		
Approved betting competition	7.60%		
<b>Fixed Odds 2015–16</b>			
Fixed Odds sports betting	4.38%		
Fixed Odds track-side	10.91%		
<b>Lotteries 2015–16</b>			
Public lottery tax (Australian sales)	79.40%		
Public lottery tax (overseas sales)	90%		
Soccer pools gaming tax (Australian sales)	57.52%		
Soccer pools gaming tax (overseas sales)	68%		
<b>Keno 2015–16</b>			
Gaming tax	24.24%		

Note:

1. \*8.33 per cent of player loss is payable to the Community Support Fund.

Table 11: Tax collection analysis by month for 2015–16

Taxable month	Number of venues scheduled for collection <sup>1</sup>	Monthly tax collection status (number of venues)		
		Failed initial sweep	Tax subsequently collected	Outstanding tax at end of financial year
July 2015	481	1	1	0
August 2015	479	0	0	0
September 2015	477	0	0	0
October 2015	479	0	0	0
November 2015	481	1	1	0
December 2015	484	0	0	0
January 2016	476	1	0	1
February 2016	468	1	1	0
March 2016	473	0	0	0
April 2016	478	0	0	0
May 2016	476	1	1	0
June 2016	473	2	2	0

## Note:

1. Number of venues scheduled differs due to a number of clubs falling in the tax-free threshold for the month in question.

## Community Benefit Statements

Club venue operators are required to prepare and lodge an audited Community Benefit Statement with the VCGLR for every financial year in which they receive gaming machine revenue. A Community Benefit Statement verifies whether the community benefit provided by the club is equal to at least 8.33 per cent of its net gaming machine revenue.

The table below shows information for Community Benefit Statements lodged in 2014–15 in accordance with the determination of 1 July 2012 made by the then Minister for Gaming. Community benefit statements are due by 30 September and are made available on the VCGLR website when lodged. Following an audit, combined summary tables are also made available on the website in November or December of each year. Information for the previous financial year is then published in the annual report.

**Table 12: Community Benefit Statements**

<b>Number of Community Benefit Statements Lodged (as at 1 July 2016)</b>	<b>244 clubs</b>
	<b>\$'000</b>
2014–15 Net Gaming Revenue (“NGR”)	866,848
<b>Community Benefit Statement claims</b>	
<b>Class A</b>	<b>\$'000</b>
a) Donations, gifts and sponsorships (including cash, goods and services)	17,291
b) Cost of providing and maintaining sporting activities for use by club members	30,136
c) Cost of any subsidy for the provision of goods and services but excluding alcohol	13,936
d) Voluntary services provided by members and/or staff of the club to another person in the community	4,449
e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	1,433
<b>Class A total</b>	<b>67,245</b>
<b>Class B</b>	<b>\$'000</b>
a) Capital expenditure	9,584
b) Financing costs (including principal and interest)	6,533
c) Retained earnings accumulated during the year	411
d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	2,094
e) Operating costs	202,451
<b>Class B total</b>	<b>221,073</b>
<b>Class C</b>	<b>\$'000</b>
a) Provision of responsible gambling measures and activities but excluding those required by law	16
b) Reimbursement of expenses reasonably incurred by volunteers	234
c) CBS preparation and auditing expenses	274
<b>Class C total</b>	<b>524</b>
<b>CBS Total (Class A + B + C)</b>	<b>288,842</b>
Percentage of NGR claimed for community purposes	33.32%

## Appendix 5 - Liquor licensing-related activity

In 2015–16, the VCGLR determined 15,384 liquor licence-related applications (being the total of all granted and refused applications, but not withdrawn applications) compared to 15,367 for the previous financial year. This included applications for new permanent liquor licences and permits, temporary and major event licences, variations to existing licences and permit conditions, and transfer of existing licences or permits. The majority of applications (66 per cent) were for temporary limited or major event licences.

Of the 15,776 finalised applications (being the total of all granted, refused and withdrawn applications), 89 per cent were finalised within 60 days of lodgement, compared to 86 per cent in the previous year. As of 30 June 2016, 22 per cent of applications awaiting determination had been pending for more than 60 days, compared to 13 per cent on 30 June 2015 and 17 per cent on 30 June 2014.

Of the total applications finalised, 96.5 per cent were granted, one per cent were refused and 2.5 per cent were withdrawn by the applicant.

In a small proportion of finalised applications (2.7 per cent), objections to the grant of the applications were received from Victoria Police, local councils or community members. The majority of these applications (72 per cent) did not proceed as contested applications as either the objection was withdrawn or the application was withdrawn. Of those applications that did proceed as contested, 67 per cent were granted, often with special conditions.

As of 30 June 2016, there were 21,610 active permanent liquor licences, which represented a 2.7 per cent increase on the previous year. This was largely driven by 524 restaurant and cafe licences and 290 renewable limited licences being granted.

A temporary decrease in licence numbers after 31 July can be observed every year because licences are made inactive due to non-payment of renewal fees.

However, over the last year the number of active permanent liquor licences has steadily increased on a monthly basis and the drop off between end of June and end of July is consistent with the previous year in approximate numbers. The VCGLR publishes monthly liquor licensing data on its website.

The VCGLR issued 15,578 proof of age cards during the year, which are intended to be used to verify that a card holder is aged 18 years or over for the purpose of entering licensed premises. This year's figure represents a 17 per cent increase compared to the last financial year.

At 30 June 2016, a total of 59 licences, incurring a total of 68 demerit points, were included in the demerit points register, as follows:

- one demerit point—52 licences
- two demerit points—six licences
- three demerit points—no licences
- four demerit points—one licence.

The demerit point register is published on the VCGLR website.

### Designated areas

Under section 147 of the Liquor Control Reform Act, the Commission has the power to declare an area in Victoria to be a designated area which provides Victoria Police with the ability to ban individuals from licensed premises in the area or from the area itself.

The Commission determines requests to order designated areas in consultation with the Chief Commissioner of Victoria Police.

Designations are intended to reduce or prevent the occurrence of alcohol-related violence or disorder in the immediate vicinity of licensed premises.

During 2015–16, the Commission declared five designated areas in Colac, Footscray, Mildura, Mornington and Sunshine.

**Table 13: Licences granted by licence type**

<b>New permanent licences</b>	<b>2013–14</b>	<b>2014–15</b>	<b>2015–16</b>
Full club licence	2	0	1
Restricted club licence	2	5	4
General licence	26	27	41
Late-night (general) licence	0	0	1
On-premises licence	73	85	74
Late-night (on-premises) licence	2	0	2
Renewable limited licence	315	375	290
Packaged liquor licence	64	65	73
Late-night (packaged liquor) licence	0	0	0
Pre-retail licence	117	154	172
Restaurant and cafe licence	427	493	524
Wine and beer producer's licence	24	28	27
BYO permit	131	133	121
<b>Total new permanent licences</b>	<b>1183</b>	<b>1365</b>	<b>1330</b>
<b>New temporary licences</b>			
<b>Total temporary licences<sup>1</sup></b>	<b>9647</b>	<b>9562</b>	<b>10,165</b>

Note:

1. Includes temporary limited licences and major event licences.

**Table 14: Proof of age cards issued**

<b>2013–14</b>	<b>2014–15</b>	<b>2015–16</b>
14,288	13,312	15,578

**Table 15: Total liquor licence applications**

	<b>2013–14</b>	<b>2014–15</b>	<b>2015–16</b>
Lodged	15,971	15,654	15,814
Finalised	16,014	15,873	15,776

## Red tape reduction performance

The VCGLR is committed to implementing operational improvements and targets to further improve the effectiveness and efficiency of gambling and liquor regulation with a focus on harm minimisation.

Over several financial years, the VCGLR has delivered the following measures in response to previous Statements of Expectations set by the Minister:

- Developed a regulatory strategy including risk-based decision-making and allocation of resources.
- Reduced determination times and administrative costs by streamlining application processes, reducing discretionary application requirements and improving information provided to applicants.
- Reduced reporting requirements for those regulated by the VCGLR.
- Worked with the Department of Justice and Regulation to reduce determination times for liquor and gambling related applications by streamlining processes that intersect with the planning system, including addressing unnecessary duplication where possible.
- Reduced determination times for lower risk liquor licence applications and approvals through streamlining the application requirements and improving information provided to applicants.
- Reduced determination times for lower risk minor gaming approvals and permits through streamlining the application process, reducing discretionary application requirements and improving information provided to applicants.
- Reduced the red tape on applicants and participants in gaming and liquor inquiries conducted by the Commission by streamlining procedures and reducing average hearing times.
- Further developed a risk-based approach to streaming of licence applications, which provides detailed guidance for industry and staff on the licensing process.

The VCGLR continues work on a number of measures which will be incorporated into a new Statement of Expectations from the Minister for 2016–17.

## Appendix 6 - Compliance and enforcement

### Compliance activity 2015–16

Table 16: Gaming venue operator disciplinary action in date order

Venue operator	Grounds	Decision Date	Result
Ringwood RSL Sub-Branch Inc	Failed to provide required information by failing to lodge its 2014–15 Community Benefit Statement by the due date.	13 November 2015	Letter of censure
St Kilda Saints Football Club Ltd	Failed to provide required information by failing to lodge its 2014–15 Community Benefit Statement by the due date.	1 December 2015	Letter of censure
Sale Community Bowls Club Inc	Failed to provide required information by failing to lodge its 2014–15 Community Benefit Statement by the due date.	17 December 2015	Letter of censure
Beaumaris RSL Sub-Branch Inc	Failed to provide required information by failing to lodge its 2014–15 Community Benefit Statement by the due date.	17 December 2015	Letter of censure
The Sunshine City Club	Failed to provide required information by failing to lodge its 2014–15 Community Benefit Statement by the due date.	14 January 2016	Letter of censure
Bacchus Marsh Golf Club Limited	Failed to provide required information by failing to lodge its 2014–15 Community Benefit Statement by the due date.	22 March 2016	Fined \$5000
West Heidelberg RSL Sub-Branch Inc	Failed to provide required information by failing to lodge its 2014–15 Community Benefit Statement by the due date.	27 April 2016	Letter of censure

**Table 17: Gaming industry employee disciplinary action in date order**

Grounds	Decision Date	Result
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.	6 July 2015	Licence cancelled
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.	10 July 2015	Licence cancelled
An individual was found guilty of a “relevant offence”, failed to provide required information and is considered to be no longer a suitable person to hold the licence.	21 July 2015	Licence cancelled
An individual found guilty of a “relevant offence”, failed to provide required information and is considered to be no longer a suitable person to hold the licence.	6 August 2015	Licence cancelled
An individual contravened a condition of their licence.*	26 August 2015	Letter of censure
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.	17 September 2015	Licence cancelled
An individual found guilty of a “relevant offence”, failed to provide required information and is considered to be no longer a suitable person to hold the licence.	18 September 2015	Licence cancelled
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.	1 October 2015	Licence cancelled
An individual found guilty of a “relevant offence” and is considered to be no longer a suitable person to hold the licence.	10 February 2016	Licence cancelled
An individual found guilty of a “relevant offence” and is considered to be no longer a suitable person to hold the licence.	19 February 2016	Licence cancelled
An individual failed to provide required information.	7 April 2016	Letter of censure
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.	11 May 2016	Licence cancelled

**Note:**

The matter marked with an asterisk\* involved the VCGLR taking disciplinary action following a finding of guilt from a Victoria Police prosecution. All other matters did not involve a Victoria Police prosecution.

Relevant offence in relation to a licensee means either:

- an offence against a gaming act or gaming regulations
- an offence arising out of or in connection with the employment of the licensee under a gaming act
- an offence (wherever occurring) involving fraud or dishonesty punishable on conviction by imprisonment for three months or more (whether or not in addition to a fine).

**Table 18: Casino special employee disciplinary action in date order**

Grounds	Decision Date	Result
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.	28 June 2016	Licence cancelled
An individual found guilty of a “relevant offence”. Failed to provide required information and is considered to be no longer a suitable person to hold the licence.	28 June 2016	Licence cancelled
An individual found guilty of a “relevant offence”. Failed to provide required information and is considered to be no longer a suitable person to hold the licence.	28 June 2016	Licence cancelled
An individual found guilty of a “relevant offence” and is considered to be no longer a suitable person to hold the licence.	28 June 2016	Licence cancelled
An individual found guilty of a “relevant offence”. Failed to provide required information and is considered to be no longer a suitable person to hold the licence.	28 June 2016	Licence cancelled

**Note:**

Relevant offence in relation to a licensee means either:

- an offence against a gaming act or gaming regulations
- an offence arising out of or in connection with the employment of the licensee under a gaming act
- an offence (wherever occurring) involving fraud or dishonesty punishable on conviction by imprisonment for three months or more (whether or not in addition to a fine).

**Appeals against exclusion orders**

During 2015–16, 18 appeals were lodged against exclusion orders issued by the Melbourne casino operator under section 72 of the Casino Control Act prohibiting persons from entering or remaining in the Melbourne casino.

Of these 18 appeals lodged, four appeals were allowed, nine were rejected, one appeal was lodged out of time, one appeal was withdrawn and three appeals are yet to be determined.

**Warnings and infringement notices**

The VCGLR has a graduated response to enforcement with sanctions applied for non-compliance increasing with the severity of the breach, including the degree of culpability of the offender, the risk or harm to the community from the breach, or if non-compliance continues or is repeated.

Informal written warnings are issued when there has been a licence condition breach. It gives the licensee an opportunity to voluntarily return their premises to a compliant state within a particular time frame. These notices and letters are not part of a formal part of the

legislation. However, they are used to track the history of licensees or other parties in terms of non-compliance and may be used at disciplinary proceedings should the non-compliance continue.

Infringement notices are also issued when there is a licence condition breach and are used instead of a court appearance.

In 2015–16, 220 infringements and 137 official and informal warnings were issued to casino patrons for breaching their exclusion orders. The authority to issue gambling infringement notices was introduced in late 2014 and this year’s number of infringements is an increase on last year’s figure as it reflects a full 12 months. Eighteen informal written warnings were issued for breaches at gambling venues other than the Melbourne casino.

Informal warning letters issued for breaches of the Liquor Control Reform Act totalled 1393 in the reporting period. Infringement notices issued for breaches of the Liquor Control Reform Act totalled 387.

Victoria Police also issue liquor licensing infringement notices and warnings which are not included here.

**Table 19: Number of gambling-related warnings and infringements issued by the VCGLR in 2015–16 by type**

Type of written warning	Number
Informal written warnings - Gambling Regulation Act	18
Official and informal warning letters for exclusion breaches under the Casino Control Act	137
Infringements for exclusion breaches under the Casino Control Act	220

**Table 20: Enforceable undertakings under the Liquor Control Reform Act in date order**

Licensee	Premises	Licence type	Commencement date	Length of undertaking
Jack Poon	Karaoke Box Hit Studio	Late night (On-premises)	3 August 2015	Three years
Eureka Geelong Hotel Pty Ltd	Eureka Hotel	Late night (General)	4 August 2015	Two years

Note:

Additional information published on the VCGLR website.

**Table 21: Disciplinary action inquiry under Section 91 of the Liquor Control Reform Act finalised in 2015–16**

Licensee	Grounds	Decision Date	Result
Jack Poon (Karaoke Box Hit Studio)	S.90(1)(a) S.90(1)(l) S.90(1)(q)	22 July 2015	Amended the licence condition relation to crowd controllers. Imposed fine of \$10,000 and accepted a written undertaking from the licensee.
Faye L Pty Ltd (Vicks 9 Karaoke)	S.90(1)(a) S.90(1)(q)	27 April 2016	Fined licensee \$10,000 and disqualified the directors of the licensed company from holding a licence or being connected with the management of any licensed premises for up to 3 years.

**Table 22: Number of liquor-related warnings and infringements issued by the VCGLR in 2015–16 by type**

Type of written warning	Number
Informal written warnings issued under the Liquor Control Reform Act	1393
Infringements issued under the Liquor Control Reform Act	387

## Appendix 7 - Governance

### Establishment

The VCGLR was established under the Victorian Commission for Gambling and Liquor Regulation Act. The functions and powers of the VCGLR are set out in sections 9 and 10 of that Act.

The VCGLR commenced on 6 February 2012, at which point it assumed the responsibilities of the Director of Liquor Licensing, the VCGR and the administrative, compliance and educative functions of Responsible Alcohol Victoria. The VCGLR has since been responsible for regulating the gambling and liquor industries in Victoria.

### Audit and Risk Management Committee

The Audit and Risk Management Committee of a public entity is an independent committee established in accordance with the Standing Directions of the Minister for Finance under the Financial Management Act.

The committee reports to the Commission and provides oversight of the VCGLR's:

- financial performance and reporting
- accounting treatment of significant transactions
- internal and external audit functions
- risk management framework
- accountability and internal control
- legal and regulatory compliance.

Committee membership comprises a Chair and two Commissioners. Mr David Boymal was Chair for 2015–16. As the terms of the then Commissioners expired on 05 August 2015, interim measures were required to ensure continuity.

The Commissioner members were:

- 1 July 2015 to 5 August 2015 Kate Hamond and Des Powell AM
- 6 August 2015 to 11 August 2015 Bruce Cohen and Ross Kennedy
- 12 August 2015 to 20 September 2015 Des Powell AM and Ross Kennedy PSM
- 21 September 2015 to 30 June 2016 Des Powell AM and Deirdre O'Donnell PSM and the Committee was renamed the Audit and Risk Management Committee during this period.

As a continuous improvement activity, internal auditing assists the organisation to achieve its objectives. The committee provided oversight of the internal audit function performed by an outside contractor, RSM.

### Risk management

#### Compliance with the Victorian Government risk management framework

To ensure that risks are being managed in a consistent manner, public sector entities are required to attest in annual reports that they are compliant with the Ministerial Standing Direction 4.5.5 issued by the Minister for Finance under the Financial Management Act. The Direction requires compliance with the mandatory requirements for risk management and insurance of the Victorian Government Risk Management Framework.

The VCGLR reviewed its risk management framework and processes and considered it is compliant with these mandatory requirements. The VCGLR Audit and Risk Management Committee verified this view.

### People and Culture Committee

Established 21 September 2015 the VCGLR's People and Culture Committee advises and assists the Commission in relation to ensuring that:

- the development and implementation of people and culture policies and procedures meet legislative and regulatory requirements and organisational needs, and enable every member of staff to contribute to improving how the VCGLR operates
- an appropriate performance management framework is developed and implemented that ensures the alignment of the performance of the CEO and senior executives with the VCGLR's strategic priorities
- they are able to advise and assist the Chair in relation to his role as the public service body head.

The Commissioner members were Deirdre O'Donnell PSM as Committee Chair, Bruce Cohen and Des Powell AM.

## Legislation, Regulation and Policy Committee

Established 21 September 2015 the Legislation, Regulation and Policy Committee provides the Commission with quality advice and support regarding legislation, regulation and policy matters, to assist the Commission to:

- effectively fulfil its regulatory obligations
- improve the way the Commission regulates, in accordance with its legislative framework and strategic priorities.

The duties and responsibilities of the committee include, but are not limited to:

- consider, test and validate new and existing regulatory practices, initiatives and operational approaches
- consider, analyse and monitor opportunities for red tape reduction
- consider, monitor and propose changes to the legislative and/or regulatory landscape
- actively seek to identify and consider legislative and regulatory restrictions or shortcomings (identified by committee members, other Commissioners or by staff), including consideration of options to resolve such matters
- provide an opportunity for the committee to be informed by, and contribute to, developments regarding advisory bodies (For example, VCGLR representation/involvement in the Liquor Control Advisory Council or the Responsible Gambling Ministerial Advisory Council and/or broader developments across government)
- consider any feedback arising from intelligence gathering, operational processes, hearings or community or stakeholder forums in relation to the above issues
- consider community harms arising from the supply of liquor and gambling
- consider relevant legislative, regulatory or policy initiatives in other jurisdictions.

The Commissioner members were Ross Kennedy AM as Committee Chair, Bruce Cohen and Helen Versey.

## Attestation

I, Bruce Cohen, Chairperson of the Victorian Commission for Gambling and Liquor Regulation (VCGLR), certify that the VCGLR has complied with the Ministerial Standing Direction 4.5.5—Risk Management Framework and Processes. The VCGLR Audit and Risk Management Committee has verified this.



Dr Bruce Cohen

Chairperson

Victorian Commission for Gambling and Liquor Regulation

On this date 22 September 2016.

## Occupational health and safety

The VCGLR has an active Occupational Health and Safety committee that meets quarterly and ensures that work-related risks are identified and addressed. During this year the number of workers compensation claims has more than halved from the previous year. Workplace incidents have marginally increased from the previous year, but have halved since the commencement of the VCGLR in 2012.

## Public administration values and employment principles

The VCGLR continues to promote public administration values and adhere to open and transparent employment principles.

## Employment and conduct principles

An integrity framework was developed and is being embedded within the organisation. A review of integrity related policies and procedures was completed during 2015–16. A fraud awareness e-learning module was developed with mandatory completion by all staff.

**Table 23: Incidents, claims, fatalities and claim costs from 2012–13 to 2015–16 per 100 full time equivalents (FTE)**

Measure	KPI	2012–13	2013–14	2014–15	2015–16
Incidents	Number of Incidents <sup>1</sup>	38	26	15	18
	Rate per 100 FTE	18.1	14.14	8.16	10.08
Claims	Number of standard claims <sup>2</sup>	4	3	5	2
	Rate per 100 FTE	1.91	1.63	2.72	1.12
	Number of lost time claims <sup>2</sup>	2	3	4	2
	Rate per 100 FTE	0.95	1.63	2.18	1.12
Fatalities	Fatality claims	0	0	0	0
Claim costs	Average cost per standard claim <sup>2</sup>	\$1197	\$65,392	\$4606	\$19,636

**Notes:**

1. Includes all incidents reported by employees via the VCGLR’s incident reporting process. An incident is reported if there is any event resulting in, or with the potential for, injury, ill health, damage or other loss.

2. WorkSafe data supplied by agent as at 2 July 2016. Total standard claims and time lost claims includes accepted and rejected claims. Average cost per standard claim is calculated using the total incurred claim costs. Total incurred claim costs are a total of claims costs paid and WorkSafe statistical case estimates.

## Comparative workforce data

Table 24: FTE staffing trends from 2012 to 2016

2016	2015	2014	2013	2012
178.55	183.79	183.92	209.93	242.96

Table 25: Summary of employment levels in June 2015 and June 2016

	Ongoing employees			Fixed term and casual employees	
	Employees	Full time	Part time	FTE	FTE
	(headcount)	(headcount)	(headcount)		
June 2016	175	161	14	169.75	8.80
June 2015	172	156	16	166.79	17

**Table 26: Details of employment levels in June 2015 and 2016**

	2016			2015		
	Ongoing employees		Fixed term and casual employees	Ongoing employees		Fixed term and casual employees
	(headcount)	FTE	FTE	(headcount)	FTE	FTE
<b>Gender:</b>						
Male	98	97.75	3	94	93.55	8
Female	77	72	5.8	78	73.24	9
Total	175	169.75	8.8	172	166.79	17
<b>Age</b>						
Under 25	1	1	0	2	2	1
25–34	45	43.6	2	37	35.75	9
35–44	42	38.8	3	43	39.79	3
45–54	41	41	2.8	52	51.9	2
55–64	42	41.75	1	34	33.35	2
Over 64	4	3.6	0	4	4	0
Total	175	169.75	8.8	172	166.79	17
<b>Classification</b>						
VPS 1	0	0	0	0	0	0
VPS 2	20	18.7	0	22	20.59	1
VPS 3	46	44.8	1	42	40.8	7
VPS 4	56	54.05	1	57	54.92	2
VPS 5	26	25.2	3.8	31	30.7	4
VPS 6	22	22	3	16	15.78	3
STS	1	1	0	2	2	0
Other	4	4	0	2	2	0
<b>Total</b>	<b>175</b>	<b>169.75</b>	<b>8.80</b>	<b>172</b>	<b>166.79</b>	<b>17</b>

**Notes:**

All figures reflect active employees in the last full pay period of June of each year. Ongoing employees means people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.

FTE means full time staff equivalent.

The headcount exclude those persons on leave without pay or absent on secondment, external contractors/consultants, temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the Public Administration Act (e.g. persons appointed to a non-executive board member role, to an office of Commissioner, or to a judicial office).

The VCGLR is a discrete agency within this portfolio. The Chair of the VCGLR is a public service body head who employs public servants independently of the department.

## Executive officer data

Executive officer (EO) is defined as a person employed as an EO at an annual remuneration rate not less than an EO employed by a department under the Public Administration Act. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

**Table 27: Executive staffing profile (headcount) by gender**

Gender	2016	2015
Male	1	1
Female	3	3

**Table 28: VCGLR Executive Officers 2015–16**

Occupant	From	To	Occupant Status
<b>Chief Executive Officer</b>			
Catherine Myers	1 July 2015	27 July 2015	Acting
	28 July 2015	30 June 2016	Nominal
<b>Director Licensing</b>			
Alex Fitzpatrick	1 July 2015	30 June 2016	Nominal
<b>Director Compliance</b>			
Alan Stone	1 July 2015	11 October 2015	Acting
Stephen Berriman	12 October 2015	30 June 2016	Nominal
<b>Director Research and Engagement</b>			
Veronica Goluza	1 July 2015	20 March 2016	Acting
Nitsa Karahalios	21 March 2016	30 June 2016	Nominal

## Victorian Industry Participation Policy

There are no issues relating to compliance with the Victorian Industry Participation Policy.

## Disclosure of major contracts

There were no contracts with a value greater than \$10 million entered into by the VCGLR in the 2015–16 year.

Summary details of contracts with a commitment greater than \$100,000 entered into during the 2015–16 year have been published on the Victorian Government website—[tenders.vic.gov.au](http://tenders.vic.gov.au)

## Consultancy expenditure

- **Details of consultancies valued at \$10,000 or greater**

In 2015–16, there were three consultancies engaged during the year, where the total fees payable to individual consultants were \$10,000 or greater. The total expenditure incurred during 2015–16 in relation to these consultancies is \$41,131 (excluding GST). Details of individual consultancies are outlined below.

**Table 29: Details of consultancies valued at \$10,000 or greater**

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excl. GST)	Expenditure 2015–16 (excl. GST)
Lea Corbett Consulting	Provision of expert advice on policy decision and recommendations	July 2015	January 2016	\$22,500	\$17,212
Workwell Consulting Pty Ltd	Provision for advice and recommendations on strategic and business planning	April 2015	August 2015	\$56,000	\$14,000
Deakin University	VCGLR liquor forum evaluation	June 2015	April 2016	\$49,912	\$9,919

- **Details of consultancies under \$10,000**

In 2015–16, there were no consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000.

## Information and Communication Technology expenditure

### Details of Information and Communication Technology (ICT) expenditure

For the 2015–16 reporting period, the VCGLR had a total ICT expenditure of \$6,345,828, with the details below.

**Table 30: Details of ICT expenditure**

Business As Usual ICT expenditure (Total)	Non-Business As Usual ICT expenditure (Total = Operational expenditure and Capital Expenditure)	Operational expenditure	Capital expenditure
\$6,345,828	\$472,310	0	\$472,310

## Freedom of information

The *Freedom of Information Act 1982* gives members of the public the right to apply for access to information held by the VCGLR (and its predecessor organisations). The Freedom of Information Act applies to documents created by the VCGLR as well as those created by other organisations that are in the possession of the VCGLR.

In 2015–16, the VCGLR had an average processing time of 39.35 days, which is within the statutory requirement of 45 days. One of the VCGLR's decisions was reviewed by the Freedom of Information Commissioner, who upheld the VCGLR's original decision.

**Table 31: Freedom of information requests received during 2015–16**

<b>Requests received</b>	<b>12</b>
<b>Initial decision</b>	
Granted in full	0
Partially granted	9
Denied	3
Previously released	0
In process	0
Non-existent document requested	1
Not proceeded with	0
Withdrawn	1
Transferred to another agency	1
<b>Total</b>	<b>15<sup>1</sup></b>

Note: 1. Includes three requests carried over from previous year.

**Table 32: Information about freedom of information requests received during 2015–16**

<b>Information about requests</b>	
Transferred from another agency	0
Average processing time (days)	39.35
Applications for review to the FOI Commissioner	1
Applications to the Victorian Civil and Administrative Tribunal	0
Complaints to the FOI Commissioner	0

## Making a freedom of information request

Access to documents may be obtained through a request from an individual, or from another person authorised to make a request on that individual's behalf.

A freedom of information request for documents must include the following:

- It must be in writing to the VCGLR Freedom of Information Officer or made online by accessing [foi.vic.gov.au/home/how+to+apply/making+a+request](http://foi.vic.gov.au/home/how+to+apply/making+a+request)
- It should clearly describe the documents being requested, and provide sufficient detail to enable the document(s) being sought to be identified.
- It should be accompanied by the appropriate application fee (currently \$27.90). If an applicant is suffering financial hardship, they may request the VCGLR to waive the application fee. Other costs (photocopying, search and retrieval charges) may be incurred in granting access to the documents requested. These will be communicated accordingly.

The written request should be addressed to:

Freedom of Information Officer  
Victorian Commission for Gambling and Liquor  
Regulation  
GPO Box 1988  
Melbourne Victoria 3001

or

49 Elizabeth Street  
Richmond Victoria 3121

Further information regarding freedom of information can be found at [foi.vic.gov.au](http://foi.vic.gov.au) and the Freedom of Information Commissioner's website, [foicommissioner.vic.gov.au](http://foicommissioner.vic.gov.au)

## Compliance with the *Building Act 1993*

The VCGLR does not have any buildings under its direct control and did not enter into works during the reporting period that required compliance under the *Building Act 1993*.

## National Competition Policy

The VCGLR complies with the National Competition Policy.

## Compliance with the *Protected Disclosure Act 2012*

The VCGLR has established procedures that comply with the requirements of the *Protected Disclosure Act 2012*. These procedures require that disclosures of improper conduct or detrimental action by the VCGLR, its members or staff be reported to the Independent Broad-based Anti-corruption Commission (IBAC). Disclosures may be made by members and staff of the VCGLR or the public.

Where the VCGLR becomes aware that a disclosure has been made to IBAC, the VCGLR will take reasonable steps to protect the welfare of relevant individuals.

## Office based environmental impacts

### Energy

The VCGLR consumed 482,152 Kwh or 1736 megajoules (MJ) of electricity for its North Richmond office tenancy during the 2015–16 year and this equates to 9.7 MJ per FTE. In relation to greenhouse gas emissions, this means a total of 607.5 tonnes of CO<sub>2</sub>-e.

### Waste

While the VCGLR continues to conscientiously separate waste into recyclables, compost and landfill, the property manager of the Richmond office (a multi-tenanted building) does not currently measure the volume or weight of the three streams when they are removed from the premises.

The VCGLR continues to recycle waste toner cartridges via Ricoh and 'Close the Loop', ensuring that no office printing product waste ends up in landfill.

### Paper

The VCGLR uses 100 per cent recycled copy paper. FollowMe Printing has been rolled out this year and allows users to print to a shared print queue, roam and release their print job from any printer. This ensures printing is confidential to the user and reduces printed waste from documents left uncollected at the printer. If a printer is out of service, users can release their print jobs from the next available printer without disrupting productivity.

By reducing waste and giving users a secure, flexible printing environment, FollowMe Printing enables the VCGLR to significantly reduce costs, protect data and support workforce productivity.

**Table 33: Paper**

Paper use	2015–16	2014–15
Paper used per FTE (reams)	17.60 <sup>2</sup>	17.87 <sup>1</sup>
Paper used in total (reams)	3142	3285

**Notes:**

1. The figure used in this calculation is 183.79 and represents the ongoing, fixed term and casual staffing figure at the VCGLR at 30 June 2015. It does not include Commissioners, staff on leave without pay, staff on secondment, or contractors/agency staff.

2. The figure used in this calculation is 178.55 and represents the ongoing, fixed term and casual staffing figure at the VCGLR at 30 June 2016. It does not include Commissioners, staff on leave without pay, staff on secondment, or contractors/agency staff.

### Water

The building water consumption at 49 Elizabeth Street, Richmond is not individually metered and no usage figures are available.

Water consumption at 49 Elizabeth Street, Richmond, is solely for office purposes. Environmental initiatives include waterless urinals and the harvesting of rainwater to flush toilets.

### Transportation

In 2015–16, the VCGLR maintains a fleet of 13 operational vehicles and two executive vehicles.

Vehicles were hired from Department of Treasury and Finance's (DTF) shared services provider vehicle pool and the costs are covered under the hire arrangements for each vehicle. Individual figures are not available.

**Table 34: Transportation**

Executive vehicles	2015–16	2014–15
Litres of petrol used	4931	5545
Litres per vehicle (average)	2432	2772

### Greenhouse gas emissions

As a tenant in a multi-lease commercial building, the VCGLR is unable to measure greenhouse gas emissions. However, as part of the Government's Business and Environmental Strategy, the VCGLR is committed to responsible energy management. This is practised within the premises using timers to control lighting, hot/cold filtered water and internal management of heating and cooling.

### Environmental Procurement

In 2015–16, the VCGLR purchased only 100 per cent recycled paper and operated multi-function devices that are environmentally endorsed. Energy efficient equipment is purchased wherever it is cost-effective to do so.

### Overseas travel

There was no overseas travel for the VCGLR in the 2015–16 financial year.

## Additional information available on request

Access to the following information may be requested of the VCGLR and released subject to any applicable freedom of information requirements:

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers.
- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.
- Details of publications produced by the VCGLR about its operations and the places where the publications can be obtained.
- Details of major external reviews carried out on the VCGLR.
- Details of research and development activities.
- Details of major promotional, public relations and marketing activities undertaken by the VCGLR to develop community awareness of the VCGLR and the services it provides.
- Details of assessments and measures undertaken to improve the occupational health and safety of employees.
- A general statement on industrial relations within the VCGLR and details of time lost through industrial accidents and disputes.
- A list of major committees sponsored by the VCGLR, the purposes of each committee and the extent to which the purposes have been achieved.

## Compliance with DataVic Access Policy

The Victorian Government's DataVic Access Policy enables the sharing of Government data at no, or minimal, cost to users. The policy intent is to support research and education, promote innovation, support improvements in productivity and stimulate growth in the Victorian economy, as well as enhance sharing of, and access to, information rich resources to support evidence based decision-making in the public sector.

In addition to publishing material on its website, VCGLR material is also published in machine readable formats on [data.vic.gov.au](http://data.vic.gov.au), with 11 VCGLR datasets and data tools now available on the Victorian Government Data Directory.



4

# Financial results

## Comprehensive Operating statement for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Income from transactions</b>			
Grants	1,3	32,828,773	32,454,227
Other income	3	(788,800)	3,041,115
<b>Total income from transactions</b>		<b>32,039,973</b>	<b>35,495,342</b>
<b>Expenses from transactions</b>			
Employee expenses	1,4 (a)	(21,141,001)	(21,184,352)
Depreciation and amortisation expense	1,4 (b)	(1,636,873)	(1,592,527)
Supplies and services	1,4 (c)	(9,995,420)	(9,842,039)
<b>Total expenses from transactions</b>		<b>(32,773,293)</b>	<b>(32,618,918)</b>
<b>Net result from transactions (net operating balance)</b>		<b>(733,320)</b>	<b>2,876,425</b>
<b>Other economic flows included in net result</b>			
Other gains/(losses) on non-financial assets	5	(156,474)	0
Other gains/(losses) from other economic flows	5	(264,651)	(51,289)
<b>Total other economic flows included in net result</b>		<b>(421,125)</b>	<b>(51,289)</b>
<b>Net result</b>		<b>(1,154,445)</b>	<b>2,825,135</b>
<b>Comprehensive result</b>		<b>(1,154,445)</b>	<b>2,825,135</b>

The comprehensive operating statement should be read in conjunction with the accompanying notes to the financial statements.

## Balance Sheet as at 30 June 2016

	Notes	2016	2015
		\$	\$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	17, 18	1,502,491	3,086,437
Receivables	6, 17	6,592,800	5,654,277
<b>Total financial assets</b>		<b>8,095,291</b>	<b>8,740,715</b>
<b>Non-financial assets</b>			
Leasehold improvements, plant, equipment and vehicles	7	4,171,605	4,816,259
Intangible assets	8	5,256,623	4,863,934
Other non-financial assets	9	588,493	276,623
<b>Total non-financial assets</b>		<b>10,016,721</b>	<b>9,956,816</b>
<b>Total assets</b>		<b>18,112,012</b>	<b>18,697,531</b>
<b>Liabilities</b>			
Payables	10, 17	1,331,789	1,501,620
Borrowings	11,17	77,125	0
Provisions	12	6,120,328	5,458,695
<b>Total liabilities</b>		<b>7,529,242</b>	<b>6,960,315</b>
<b>Net assets</b>		<b>10,582,770</b>	<b>11,737,215</b>
<b>Equity</b>			
Accumulated surplus/(deficit)		2,687,208	3,841,654
Contributed capital		7,895,562	7,895,561
<b>Net worth</b>		<b>10,582,770</b>	<b>11,737,215</b>
Commitments for expenditure	15		
Contingent assets and contingent liabilities	16		

The balance sheet should be read in conjunction with the accompanying notes to the financial statements.

## Statement of changes in equity for the financial year ended 30 June 2016

	Notes	Accumulated Surplus	Contributed Capital	Total
		\$	\$	\$
<b>Balance at 1 July 2014</b>		<b>1,016,518</b>	<b>7,895,562</b>	<b>8,912,080</b>
Net result for the year		2,825,135	0	2,825,135
<b>Balance at 30 June 2015</b>		<b>3,841,653</b>	<b>7,895,562</b>	<b>11,737,215</b>
Net result for the year		(1,154,445)	0	(1,154,445)
<b>Balance at 30 June 2016</b>		<b>2,687,208</b>	<b>7,895,562</b>	<b>10,582,770</b>

The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

## Cash flow statement for the financial year ended 30 June 2016

	Notes	2016	2015
		\$	\$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		31,101,451	35,177,224
Goods and services tax recovered from the ATO <sup>1</sup>		1,087,140	1,117,919
<b>Total receipts</b>		<b>32,188,591</b>	<b>36,295,143</b>
<b>Payments</b>			
Payments to suppliers and employees		(32,308,280)	(32,555,629)
<b>Total payments</b>		<b>(32,308,280)</b>	<b>(32,555,629)</b>
<b>Net cash flows from / (used in) operating activities</b>	<b>18(b)</b>	<b>(119,689)</b>	<b>3,739,514</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets		(1,458,228)	(1,538,247)
<b>Net cash flows from / (used in) investing activities</b>		<b>(1,458,228)</b>	<b>(1,538,247)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings and finance leases		(6,029)	0
<b>Net cash flows from / (used in) financing activities</b>	<b>18(c)</b>	<b>(6,029)</b>	<b>0</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(1,583,946)</b>	<b>2,201,267</b>
Cash and cash equivalents at the beginning of the year		3,086,437	885,170
<b>Cash and cash equivalents at the end of the year</b>	<b>18(a)</b>	<b>1,502,491</b>	<b>3,086,437</b>

The above cash flow statement should be read in conjunction with the accompanying notes to the financial statements.

Note:

1. Goods and services tax paid to the ATO is presented on a net basis.

# Notes to the financial statements

## CONTENTS

1.	Summary of significant accounting policies	81
2.	VCGLR outputs	93
3.	Income from transactions	93
4.	Expenses from transactions	94
5.	Other economic flows included in net result	95
6.	Receivables	95
7.	Leasehold improvements, plant, equipment and vehicles	96
8.	Intangible assets	101
9.	Other non-financial assets	101
10.	Payables	102
11.	Borrowings	102
12.	Provisions	103
13.	Superannuation	105
14.	Leases	106
15.	Commitments for expenditure	107
16.	Contingent assets and contingent liabilities	107
17.	Financial instruments	107
18.	Cash flow information	115
19.	Summary of compliance with grant funding	116
20.	Ex gratia payments	116
21.	Transactions on behalf of Government	116
22.	Responsible persons	120
23.	Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities)	122
24.	Trust account balances	123
25.	Remuneration of auditors	123
26.	Related party transactions	123
27.	Subsequent events	123
28.	Glossary of terms and style conventions	124

## Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Victorian Commission for Gambling and Liquor Regulation (VCGLR) for the year ended 30 June 2016. The purpose of this report is to provide users with information about the VCGLR's stewardship of resources entrusted to it.

The VCGLR commenced operation on 6 February 2012, pursuant to the Victorian Commission for Gambling and Liquor Regulation Act which was passed on 27 October 2011 and received Royal Assent on 2 November 2011.

### (a) Statement of compliance

These financial statements have been prepared in accordance with the Financial Management Act (FMA), and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this annual report, a glossary of terms can be found in Note 28.

The annual financial statements were authorised for issue by the Chair, Chief Executive Officer and Director Corporate Services and Chief Finance Officer on 26 September 2016.

### (b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to provisions, intangible assets and depreciation and amortisation.

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for the non-current physical assets and employee leave entitlements.

Consistent with AASB 13 *Fair Value Measurement*, the VCGLR determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1— Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2— Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3— Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the VCGLR has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

### (c) Reporting entity

The financial statements cover the VCGLR as an individual reporting entity.

The financial statements include all the controlled activities of the VCGLR which commenced operation on 6 February 2012 pursuant to the Victorian Commission for Gambling and Liquor Regulation Act.

Its principal address is:

Victorian Commission for Gambling and Liquor Regulation

49 Elizabeth Street

Richmond Victoria 3121

### Amounts collected/received on behalf of Government (administered revenue)

The VCGLR collects revenue amounts on behalf of the Government which are paid directly into the Consolidated Fund. The VCGLR does not gain control over these resources and accordingly they are not recognised as income in the comprehensive operating statement. The VCGLR is accountable for the transactions involving these resources, but does not have the discretion to deploy the resources for achievement of its own objectives. Transactions and balances relating to these resources (except as otherwise disclosed), are accounted for on the same basis and using the same accounting policies as for VCGLR items. Specific financial disclosures related to these transactions can be found in Note 21.

### Objectives and funding

The functions of the VCGLR are set out in section 9 of the Victorian Commission for Gambling and Liquor Regulation Act.

These functions operate within the scope of gambling legislation (Gambling Regulation Act, Casino Control Act, Racing Act, Casino (Management Agreement) Act) and liquor legislation (Liquor Control Reform Act) and are, broadly, to:

- perform regulatory, investigative and disciplinary functions;

- undertake licensing, approval, authorisation and registration activities;
- promote and monitor compliance;
- detect and respond to contraventions;
- advise the Minister in relation to the exercise of functions;
- ensure Government policy in relation to gambling and liquor is implemented; and
- inform and educate the public about the regulatory practices and requirements of the VCGLR.

The VCGLR receives grant funding from the Department of Justice and Regulation to be applied for the purposes of delivering outputs associated with the regulation of gambling and liquor industries in Victoria to ensure the ongoing integrity and probity of these industries.

### (d) Scope and presentation of financial statements

#### Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows—other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Refer to Note 28 for the definitions of 'net result from transactions' and 'other economic flows included in net result'.

#### Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

### Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing or financing activities. This classification is consistent with the requirements laid out under AASB 107 *Statement of Cash Flows*.

### Statement of changes in equity

The statement of changes in equity presents reconciliation of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

### Rounding

Amounts in the financial statements have been rounded to the nearest dollar, or in the case of amounts collected/receivable on behalf of Government and amounts paid/payable to other jurisdictions (see Note 21), to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding. Please refer to the end of Note 28 for a style convention for explanations of minor discrepancies resulting from rounding.

### Changes in accounting policies

There have been no changes in accounting policies subsequent to the 2014–15 reporting period.

## (e) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

### Grants

The VCGLR's income is by way of grant funding from the Department of Justice and Regulation's appropriations for the production of VCGLR outputs. Grant income is recognised as received from the Department of Justice and Regulation when the VCGLR delivers the required outputs in accordance with specified performance criteria.

Additionally, the VCGLR is permitted under section 29 of the FMA to have certain income annotated to the annual grant. The income which forms part of a section 29 agreement is recognised by the VCGLR and the receipts paid into the consolidated fund as an administered item. At the point of income recognition, section 29 provides for an equivalent amount to be added to the annual

grant. Examples of receipts which can form a part of the section 29 agreement include proof of age cards, responsible service of alcohol printed materials and lotteries evaluation project.

## (f) Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

### Employee expenses

These expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, superannuation and WorkCover premiums.

### Superannuation

The amount recognised in the comprehensive operating statement is in relation to employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable to these plans during the reporting period.

The DTF in their Annual Financial Statements disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to the DTFs Annual Financial Statements for more detailed disclosures in relation to these plans.

### Depreciation

Depreciation is provided on building leasehold improvements, plant, equipment and vehicles, and Electronic Data Processing (EDP) hardware. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The following are typical estimated useful lives for the different asset classes for the 2016 and 2015 financial years.

Asset Class	Useful life (in Years)	
	2016	2015
Building Leasehold Improvements-office fit out	7.6	7.6
Plant, equipment and vehicles		
Office furniture & equipment	8	8
Security equipment	5	5
Vehicles including finance leased vehicle	3	3
EDP hardware	4	4

The VCGLR occupies premises at 49 Elizabeth Street, Richmond. The cost of the fit-out has been transferred from Department of Justice and Regulation to the VCGLR as a designated contribution by owners of contributed capital. The amortisation of the office fit-out began in February 2013. The building is amortised over 7.6 years of the accommodation lease term that expires on August 2020.

### Amortisation

The VCGLR has capitalised as an intangible asset internal use software expenditure related to development of information technology systems. Costs associated with the acquisition or development of computer software which is greater than \$10,000 are capitalised and amounts below this threshold are expensed in the period in which they are incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over the asset's useful life. The useful life for intangibles is eight years. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The estimated useful lives, residual values and amortisation method are reviewed at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

### Supplies and services

Supplies and services costs are recognised as an expense in the related reporting period in which they are incurred.

### Bad and doubtful debts

Refer to Note 1(i) Financial assets.

### (g) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all non-financial assets and intangible assets.

### Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

### Impairment of non-financial assets

All assets are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an 'other economic flow', except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposal of financial assets.

### Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from the revaluation of the present value of the long service leave liability due to changes

in the bond interest rates and transfer of amounts from the reserves to accumulated surplus or net result due to disposal or de-recognition or reclassification.

## (h) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the VCGLR's activities, certain financial assets and financial liabilities arise under statute rather than contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the VCGLR are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

### Categories of non-derivative financial instruments.

#### Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(i)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

#### Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss

over the period of the interest-bearing liability, using the effective interest rate method (refer to Note 17).

Financial instrument liabilities measured at amortised cost include all of the VCGLR's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

#### Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instrument assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

## (i) Financial assets

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and funds held in trust.

### Receivables

Receivables consist predominantly of amounts owing from the Victorian Government, debtors in relation to goods and services and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are recognised and measured similarly to contractual receivables, but are not classified as financial instruments as they do not arise from a contract.

A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified. Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

## (j) Non-financial assets

### Plant, equipment and vehicles

Non-current physical assets held by the VCGLR are those used in the day to day operations and are primarily plant, equipment and vehicles and Electronic Data Processing (EDP) hardware. These assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

The initial cost for non-financial physical assets under a finance lease (refer to note 1(m)) is measured at amounts equal to the fair value of the lease asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

### Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and amortised over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvements.

### Leased assets

Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Leased assets relate primarily to leases of motor vehicles and are amortised over the term of these contracts.

### Intangible assets

Intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the VCGLR.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following are demonstrated:

- a. the technical feasibility of completing the intangible asset so that it will be available for use;
- b. an intention to complete the intangible asset and use it;
- c. the ability to use the intangible asset;
- d. the intangible asset will generate probable future economic benefits;
- e. the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure incurred on internally generated intangibles that are capitalised include:

- direct materials and consultancy service cost;
- direct labour and overhead;
- directly attributable costs such as registration fees for legal rights or patents; and
- fees to register or legal right.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

## (k) Other non-financial assets

### Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## (l) Liabilities

### Payables

Payables consist predominantly of creditors and accruals on wages and salaries and expenses and are recognised at amortised cost. Payables represent liabilities for goods and services provided to the VCGLR prior to the end of a period that are unpaid, and arise when the VCGLR becomes obliged to make future payments in respect of the purchase of these goods and services.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(h)). Statutory payables are recognised and measured similarly to contractual

payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

### Provisions

Provisions are recognised when the VCGLR has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- nominal value - if VCGLR expects to wholly settle within 12 months; or
- present value - if VCGLR does not expect to wholly settle within 12 months.

#### (ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the VCGLR does not expect to settle the liability within 12 months because it will not have the unconditional

right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value - if the VCGLR expects to wholly settle within 12 months; and
- present value - if the VCGLR does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond rates for which it is then recognised as an 'other economic flow' (refer to Note 1(g)).

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The VCGLR recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

### (m) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of leasehold improvements, plant, equipment and vehicles are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

## VCGLR as a lessee

Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## (n) Equity

### Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructuring are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructuring are treated as distributions to owners.

## (o) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 15 *Commitments for expenditure*) at their nominal value and inclusive of the GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

## (p) Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed by way of note and, if quantifiable, measured at their nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

## (q) Accounting for the goods and services tax ('GST')

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

## (r) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the VCGLR and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

### (s) Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of these new standards and advises entities of their applicability and early adoption where applicable. As at 30 June 2016, the following standards and interpretations had been issued but were not mandatory for the period ending 30 June 2016.

The VCGLR has not early adopted these standards.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred	1 Jan 2018	<p>The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.</p>
AASB 2016-4 <i>Amendments to Australian Accounting Standards—Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<p>AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)</p>	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>• The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and</li> <li>• Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</li> </ul>	<p>1 Jan 2018</p>	<p>The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.</p> <p>Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).</p> <p>Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.</p> <p>For entities with significant lending activities, an overhaul of related systems and processes may be needed.</p>
<p>AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i></p>	<p>Amends various AASs to reflect the AASBs decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.</p>	<p>1 Jan 2018</p>	<p>This amending standard will defer the application period of AASB 9 to the 2018–19 reporting period in accordance with the transition requirements.</p>

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.</p> <p>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.</p> <p>No change for lessors.</p>
AASB 2015 6 <i>Amendments to Australian Accounting Standards—Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<p><i>AASB 2015-1 Amendments to Australian Accounting Standards—Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i> [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 &amp; AASB 140]</p>	<p>Amends the methods of disposal in AASB 5 <i>Non-current assets held for sale and discontinued operations</i>.</p> <p>Amends AASB 7 <i>Financial Instruments</i> by including further guidance on servicing contracts</p>	<p>1 Jan 2016</p>	<p>The assessment has indicated that when an asset (or disposal group) is reclassified from ‘held to sale’ to ‘held for distribution’, or vice versa, the asset does not have to be reinstated in the financial statements.</p> <p>Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset</p>

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2015–16 financial year (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

The AASB Interpretations in the list below are also not effective for the 2015–16 reporting period and are considered to have insignificant impacts on public sector reporting.

- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2015 2 *Amendments to Australian Accounting Standards—Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-9 *Amendments to Australian Accounting Standards—Scope and Application Paragraphs* [AASB 8, AASB 133 & AASB 1057]
- AASB 2015-10 *Amendments to Australian Accounting Standards—Effective Date of Amendments to AASB 10 and AASB 128*
- AASB 2016-1 *Amendments to Australian Accounting Standards—Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112]

## Note 2: VCGLR outputs

The VCGLR activities form part of the Department of Justice and Regulation Gambling and Liquor Regulation and Racing Industry Development output. The focus of this output is policy development, regulation, research and community education and delivery of problem gambling services to achieve responsible, safe and sustainable gambling and racing environments.

The gambling regulation outputs delivered by the VCGLR are comprised of regulatory services consisting of licensing and compliance activities. Licensing incorporates all activities undertaken to ensure that licences, permits and authorisations are issued within the necessary legislative framework.

This includes assessments for probity, social and economic impact assessments, game fairness and responsible gambling. Compliance services cover on-going monitoring of participants, products, equipment and systems, investigation of complaints and possible breaches of legislation and revenue verification.

Liquor regulation outputs are related to information, inspections and registration. Information services are provided to consumers and traders on all aspects of liquor licensing. Inspections are of licensed premises to monitor and ensure compliance with their licence conditions and State law and to take action in relation to breaches. Registration is of liquor licences and provision of proof of age cards.

## Note 3: Income from transactions

	2016	2015
	\$	\$
<b>Income from transactions</b>		
Grants from government	32,828,773	32,454,227
Other income - LaGIS Trust <sup>1</sup>	(788,800)	3,041,115
<b>Total income from transactions</b>	<b>32,039,973</b>	<b>35,495,342</b>

**Note:**

1. During 2015–16, the VCGLR returned \$0.789 million to the Department of Justice and Regulation from the LaGIS trust account. The LaGIS trust funds are specifically allocated to meet the development costs of the LaGIS project. The VCGLR received \$3.041 million in 2014–15. The VCGLR has no discretion to apply this balance to any alternative.

## Note 4: Expenses from transactions

	2016 \$	2015 \$
<b>(a) Employee expenses</b>		
Salaries and wages	15,998,404	16,211,184
Annual leave	1,678,043	1,413,676
Long service leave	599,289	761,715
Superannuation	1,537,232	1,480,126
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	1,160,285	1,102,758
Termination benefits	167,749	214,893
<b>Total employee expenses</b>	<b>21,141,001</b>	<b>21,184,352</b>
<b>(b) Depreciation and amortisation</b>		
<b>Depreciation of leasehold improvements, plant, equipment and vehicles</b>		
EDP hardware	104,273	118,096
Plant, equipment & motor vehicles	33,222	27,856
<b>Amortisation expense</b>		
Leasehold improvements-office fit-out	821,932	817,287
Internal-use software	677,446	629,288
<b>Total depreciation and amortisation</b>	<b>1,636,873</b>	<b>1,592,527</b>
<b>(c) Supplies and services</b>		
Probity and credit check payments	10,009	78,198
IT Licence and maintenance	1,934,070	1,977,640
Professional services	3,439,018	3,664,005
Telephone and other communication expenses	126,073	238,543
Occupancy costs	2,837,459	2,183,111
Postage and advertising	230,714	205,547
Printing, stationery and office requisites	401,216	330,615
Travel and related expenses	22,051	22,119
Training and development	146,358	150,297
Motor vehicle running costs	603,660	571,020
Other	244,791	420,942
<b>Total supplies and services</b>	<b>9,995,420</b>	<b>9,842,039</b>

## Note 5: Other economic flows included in net result

	2016 \$	2015 \$
<b>Other gains/(losses) from other economic flows</b>		
Net gains/(loss) on non-financial assets	(156,474)	0
Net gain/(loss) arising from revaluation of annual leave and long service leave liability <sup>1</sup>	(264,651)	(51,289)
<b>Total other gains/(losses) from other economic flows</b>	<b>(421,125)</b>	<b>(51,289)</b>

Note:

1. Revaluation gain/(loss) due to changes in bond rates.

## Note 6: Receivables

	2016 \$	2015 \$
<b>Current receivables</b>		
<b>Contractual</b>		
Receivables	104,701	19,475
	<b>104,701</b>	<b>19,475</b>
<b>Statutory</b>		
Amounts owing from the Department of Justice & Regulation <sup>1</sup>	5,565,258	5,014,571
GST Input tax credits recoverable	116,809	127,075
	<b>5,682,067</b>	<b>5,141,645</b>
<b>Total current receivables</b>	<b>5,786,768</b>	<b>5,161,120</b>
<b>Non-current receivables</b>		
<b>Statutory</b>		
Amounts owing from the Department of Justice & Regulation <sup>1</sup>	806,032	493,157
<b>Total non-current receivables</b>	<b>806,032</b>	<b>493,157</b>
<b>Total receivables</b>	<b>6,592,800</b>	<b>5,654,277</b>

Notes:

1. The amounts recognised from the Department of Justice and Regulation represent funding for all commitments incurred through the grant and are drawn down from the Consolidated Fund as the commitments fall due.

(a) **Ageing analysis of contractual receivables.**

Please refer to Table 17.4 in Note 17 for the ageing analysis of contractual receivables.

(b) **Nature and extent of risk arising from contractual receivables.**

Please refer to Table 17.6 in Note 17 for the nature and extent of risks arising from contractual receivables.

## Note 7: Leasehold improvements, plant, equipment and vehicles

All assets of the VCGLR are measured at fair value. Reconciliation of the carrying amounts of each class of plant, equipment and vehicle at the beginning and end of the current period are set out in the following table:

**Table 7.1: Classification by ‘Purpose Group’ ‘Public safety and environment’ – Carrying amounts<sup>1</sup>**

	Public safety and environment	
	2016	2015
	\$	\$
<b>Leasehold improvements, plant, equipment and vehicles, Building Leasehold Improvements-office fit out</b>		
At Fair value	6,218,675	6,218,675
Less: Accumulated amortisation	(2,793,717)	(1,971,785)
	<b>3,424,958</b>	<b>4,246,890</b>
<b>EDP Hardware</b>		
At Fair value	1,210,844	1,334,969
Less: Accumulated depreciation	(665,788)	(1,010,970)
	<b>545,056</b>	<b>323,999</b>
<b>Plant, equipment and vehicles</b>		
At Fair value	294,721	333,601
Less: Accumulated depreciation	(93,130)	(88,231)
	<b>201,591</b>	<b>245,370</b>
<b>Total Leasehold improvements, equipment and vehicles</b>		
At Fair value	7,724,241	7,887,245
Less: Accumulated depreciation	(3,552,635)	(3,070,986)
<b>Net carrying amount of property, plant and equipment</b>	<b>4,171,605</b>	<b>4,816,259</b>

Note:

1. Leasehold improvements, EDP hardware, plant, equipment and vehicles are classified primarily by the ‘purpose’ for which the assets are used according to one of six ‘Purpose Groups’ based upon Government Purpose Classifications (GPC). Assets within a purpose group are further sub categorised according to the asset’s ‘nature’ (i.e. Leasehold improvements, EDP hardware, plant, equipment and vehicles, etc.), with each sub category being classified as a separate class of asset for financial reporting purposes.

**Table 7.2: Classification by Purpose Group 'Public safety and environment' - Movements in carrying amounts:**

	Leasehold Improvements		EDP Hardware		Plant, equipment & vehicles		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>	4,246,890	5,025,466	323,999	149,011	245,370	250,501	4,816,259	5,424,978
Equity transfer from the Department of Justice	0	0	0	0	0	0	0	0
Additions	0	38,711	334,924	293,084	83,155	22,726	418,079	354,521
Disposals	0	0	(9,594)	0	(93,712)	0	(103,306)	0
Impairment of assets	0	0	0	0	0	0	0	0
Depreciation and amortisation expense	(821,932)	(817,287)	(104,273)	(118,096)	(33,222)	(27,857)	(959,427)	(963,240)
<b>Closing balance</b>	<b>3,424,958</b>	<b>4,246,890</b>	<b>545,056</b>	<b>323,999</b>	<b>201,591</b>	<b>245,370</b>	<b>4,171,605</b>	<b>4,816,259</b>

**Table 7.3: Fair value measurement hierarchy for assets as at 30 June 2016**

Carrying amount as at 30 June 2016		Fair value measurement at end of reporting period using		
		Level 1 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>
Building Leasehold Improvements-office fit out	3,424,958	0	0	3,424,958
<b>Total Building Leasehold Improvements-office fit out at fair value</b>	<b>3,424,958</b>	<b>0</b>	<b>0</b>	<b>3,424,958</b>
EDP Hardware	545,056	0	0	545,056
<b>Total EDP Hardware at fair value</b>	<b>545,056</b>	<b>0</b>	<b>0</b>	<b>545,056</b>
Plant, equipment and vehicles	201,591	0	0	201,591
<b>Total plant, equipment and vehicles at fair value</b>	<b>201,591</b>	<b>0</b>	<b>0</b>	<b>201,591</b>
Carrying amount as at 30 June 2015		Fair value measurement at end of reporting period using		
		Level 1 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>
Building Leasehold Improvements-office fit out	4,246,890	0	0	4,246,890
<b>Total Building Leasehold Improvements-office fit out at fair value</b>	<b>4,246,890</b>	<b>0</b>	<b>0</b>	<b>4,246,890</b>
EDP Hardware	323,999	0	0	323,999
<b>Total EDP Hardware at fair value</b>	<b>323,999</b>	<b>0</b>	<b>0</b>	<b>323,999</b>
Plant, equipment and vehicles	245,370	0	0	245,370
<b>Total plant, equipment and vehicles at fair value</b>	<b>245,370</b>	<b>0</b>	<b>0</b>	<b>245,370</b>

Note:

1. Classified in accordance with the fair value hierarchy, see Note 1(b).

**Building leasehold improvements-office fit out and plant, equipment and vehicles**

Building leasehold improvements-office fit out and plant and equipment and vehicles are held at fair value. When building leasehold improvements-office fit out and plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2016.

For all assets measured at fair value, the current use is considered the highest and best use.

Table 7.4: Reconciliation of Level 3 fair value

	2016	Building Leasehold Improvements-office fit out	EDP Hardware	Plant, equipment & vehicles
<b>Opening balance</b>		<b>4,246,890</b>	<b>323,999</b>	<b>245,370</b>
Additions		0	334,924	83,155
Disposals		0	(9,594)	(93,712)
Depreciation and amortisation expense		(821,932)	(104,273)	(33,222)
<b>Closing balance</b>		<b>3,424,958</b>	<b>545,056</b>	<b>201,591</b>
	2015	Building Leasehold Improvements-office fit out	EDP Hardware	Plant, equipment & vehicles
<b>Opening balance</b>		<b>5,025,466</b>	<b>149,011</b>	<b>250,501</b>
Additions		38,711	293,084	22,726
Disposals		0	0	0
Depreciation and amortisation expense		(817,287)	(118,096)	(27,857)
<b>Closing balance</b>		<b>4,246,890</b>	<b>323,999</b>	<b>245,370</b>

**Table 7.5: Description of significant unobservable inputs to Level 3 valuations**

	Valuation technique	Significant unobservable inputs
Building Leasehold Improvements-office fit out  (Office fit-out was transferred from DJR in February 2013)	Depreciated replacement cost	Direct cost per square metre
		Term of the lease
EDP Hardware	Depreciated replacement cost	Cost per unit
		Useful life of EDP Hardware
Plant, equipment & vehicles	Depreciated replacement cost	Cost per unit <ul style="list-style-type: none"> <li>• office furniture &amp; equipment</li> <li>• security equipment</li> <li>• vehicles</li> </ul>
		Useful life <ul style="list-style-type: none"> <li>• office furniture &amp; equipment</li> <li>• security equipment</li> <li>• vehicles</li> </ul>

The significant unobservable inputs have remain unchanged from 2015.

## Note 8: Intangible assets

	2016	2015
	\$	\$
<b>Gross carrying amount</b>		
<b>Opening balance</b>	<b>11,080,695</b>	<b>9,896,968</b>
Work-in-progress	621,832	875,520
Additions from internal development	501,472	308,207
Disposals	(534,460)	0
<b>Closing balance</b>	<b>11,669,538</b>	<b>11,080,695</b>
<b>Accumulated amortisation</b>		
<b>Opening balance</b>	<b>(6,216,761)</b>	<b>(5,587,473)</b>
Amortisation expense <sup>1</sup>	(677,446)	(629,288)
Disposals	481,292	0
<b>Closing balance</b>	<b>(6,412,915)</b>	<b>(6,216,761)</b>
<b>Net book value at end of financial year</b>	<b>5,256,623</b>	<b>4,863,934</b>

Note:

1. The consumption of intangible produced assets is included in the 'depreciation' line item, where the consumption of the intangible non-produced assets is included in 'net gain/(loss)' line item on the comprehensive operating statement.

### Significant intangible assets

VCGLR has capitalised software development expenditure including the development of the significant intangible asset which is the Gaming and Monitoring System (GAMMON). The carrying amount of the significant intangible asset expenditure is \$1.842 million (2015: \$2.240 million). Its useful life is eight years and it will be fully amortised in 2021.

The LaGIS project is currently included in work in progress. LaGIS is a software project being developed by a vendor on behalf of the VCGLR. LaGIS is expected to come into service during 2016–17; until that time it will remain in work in progress with further expenditures on the development brought to account, and capitalised, progressively. Once in service LaGIS will be amortised over the life of the contract with ongoing maintenance payments under the contract expensed as incurred.

The current carrying value is \$1.35 million (2015: \$0.88 million).

## Note 9: Other non-financial assets

	2016	2015
	\$	\$
<b>Current other assets</b>		
Prepayments	588,493	276,623
<b>Total current other assets</b>	<b>588,493</b>	<b>276,623</b>
<b>Total other non-financial assets</b>	<b>588,493</b>	<b>276,623</b>

## Note 10: Payables

	2016	2015
	\$	\$
<b>Current payables</b>		
<b>Contractual</b>		
Creditors	323,698	375,673
Accrued wages and salaries	282,943	170,464
Accrued expenses	725,147	955,483
<b>Total current payables</b>	<b>1,331,789</b>	<b>1,501,620</b>
<b>Total payables</b>	<b>1,331,789</b>	<b>1,501,620</b>

Note: The average credit period is 30 days.

**(a) Maturity analysis of payables.**

Please refer to Table 17.5 in Note 17 for the ageing analysis of payables.

**(b) Nature and extent of risk arising from payables.**

Please refer to Note 17.6 for the nature and extent of risk arising from payables.

## Note 11: Borrowings

	2016	2015
	\$	\$
<b>Current borrowings</b>		
Current finance lease liability <sup>1</sup>		
- Non-PPP related Finance lease liability:		
Motor vehicles	14,808	0
<b>Total current borrowings</b>	<b>14,808</b>	<b>0</b>
<b>Non-current borrowings</b>		
Current finance lease liability		
- Non-PPP related Finance lease liability:		
Motor vehicles	62,317	0
<b>Total non-current borrowings</b>	<b>62,317</b>	<b>0</b>
<b>Total Borrowings</b>	<b>77,125</b>	<b>0</b>

Note:

1. Secured by the assets leased. Finance leases are effectively secured, as the rights to the leased assets revert to the lessor in the event of default.

**(a) Maturity analysis of borrowings.**

Please refer to Table 17.5 in Note 17 for the Maturity analysis of borrowings.

**(b) Nature and extent of risk arising from borrowings.**

Please refer to Note 17.6 for the nature and extent of risk arising from borrowings.

## Note 12: Provisions

	2016	2015
	\$	\$
<b>Current provisions</b>		
Employee benefits (Note 12(a))—annual leave <sup>1</sup>		
Unconditional and expected to settle within 12 months	1,294,768	1,302,107
Unconditional and expected to settle after 12 months <sup>2</sup>	176,921	188,949
Employee benefits (Note 12(a))—long service leave <sup>1</sup>		
Unconditional and expected to settle within 12 months	186,271	400,892
Unconditional and expected to settle after 12 months <sup>2</sup>	2,923,989	2,376,854
	<b>4,581,949</b>	<b>4,268,801</b>
Provisions relating to employee benefit on-costs (Note 12(a) and Note 12(b))		
Unconditional and expected to settle within 12 months	226,001	265,373
Unconditional and expected to settle after 12 months <sup>2</sup>	506,346	431,364
	<b>732,347</b>	<b>696,737</b>
<b>Total current provisions</b>	<b>5,314,296</b>	<b>4,965,538</b>
<b>Non-current provisions</b>		
Employee benefits (Note 12(a))-annual leave and long service leave <sup>1</sup>	692,435	423,947
Employee benefit on-costs (Note 12(a) and Note 12(b))	113,597	69,210
<b>Total non-current provisions</b>	<b>806,032</b>	<b>493,157</b>
<b>Total provisions</b>	<b>6,120,328</b>	<b>5,458,695</b>

Notes:

1. Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.

2. Amounts are measured at present values.

**(a) Employee benefits and related on-costs<sup>1</sup>**

	2016 \$	2015 \$
<b>Current employee benefits</b>		
Annual leave entitlements	1,471,689	1,491,055
Long service leave entitlements	3,110,260	2,777,746
<b>Non-current employee benefits</b>		
Long service leave entitlements	692,435	423,947
<b>Total employee benefits</b>	<b>5,274,384</b>	<b>4,692,748</b>
Current on-costs	732,347	696,737
Non-current on-costs	113,597	69,210
<b>Total on-costs</b>	<b>845,944</b>	<b>765,947</b>
<b>Total employee benefits and related on-costs</b>	<b>6,120,328</b>	<b>5,458,695</b>

Note:

1. Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.

**(b) Movement in provisions**

	On-costs	
	2016 \$	2015 \$
<b>Opening balance</b>	<b>765,947</b>	<b>782,930</b>
Additional provisions recognised	317,730	295,511
Reductions arising from payments/other sacrifices of future economic benefits	(237,733)	(312,494)
<b>Closing balance</b>	<b>845,944</b>	<b>765,947</b>
Current	732,347	696,737
Non-current	113,597	69,210
<b>Total employee benefits related on-costs</b>	<b>845,944</b>	<b>765,947</b>

## Note 13: Superannuation

Employees of the VCGLR are entitled to receive superannuation benefits and the VCGLR contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The VCGLR does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's total defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the VCGLR.

The name and details of the major employee superannuation funds and contributions made by the VCGLR are as follows:

	Paid contribution for year end		Contribution outstanding at year end	
	2016 \$	2015 \$	2016 \$	2015 \$
<b>Defined benefit plans<sup>1</sup>:</b>				
Emergency Services and State Super: revised and new	133,205	78,877	1,340	2,162
<b>Defined contribution plans:</b>				
VicSuper	957,479	1,027,471	4,971	7,985
Various other	437,334	360,216	2,903	3,415
<b>Total</b>	<b>1,528,018</b>	<b>1,466,564</b>	<b>9,214</b>	<b>13,562</b>

Note:

1. The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

## Note 14: Leases

### Finance lease liabilities

Finance leases relate to motor vehicles with a lease term of one to three years. VCGLR does not have options to purchase the former equipment at the expiry of the lease period.

	Minimum future lease payments <sup>1</sup>		Present value of minimum future lease payments	
	2016 \$	2015 \$	2016 \$	2015 \$
<b>Other related finance lease liabilities payable</b>				
Not longer than 1 year	17,096	0	0	0
Longer than 1 year and not longer than 5 years	64,933	0	0	0
Longer than 5 years	0	0	0	0
<b>Minimum future lease payments</b>	<b>82,029</b>	<b>0</b>	<b>0</b>	<b>0</b>
Less future finance charges	(4,903)	0	0	0
<b>Present value of minimum lease payments</b>	<b>77,125</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Included in the financial statements as:</b>				
Current borrowings lease liabilities (Note 11)			14,808	0
Non-current borrowing lease liabilities (Note 11)			62,317	0
			<b>77,125</b>	<b>0</b>

Note:

1. Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

## Note 15: Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements.

	Operating Leases		Capital		Operating Commitments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Operating, capital and lease commitments</b>								
Payable <sup>1</sup>								
Less than one year	2,315,111	2,258,577	1,070,271	1,022,621	160,380	223,779	3,545,762	3,504,977
Longer than one year and not longer than five years	7,532,425	9,794,152	0	0	1,259,544	1,259,544	8,791,969	11,053,696
Five years or more	0	436,881	0	0	0	0	0	436,881
<b>Total operating, capital and lease commitments</b>	<b>9,847,536</b>	<b>12,489,610</b>	<b>1,070,271</b>	<b>1,022,621</b>	<b>1,419,924</b>	<b>1,483,323</b>	<b>12,337,731</b>	<b>14,995,554</b>

Note:

All amounts shown in the commitments note are nominal amounts inclusive of GST.

1. Operating, capital and lease commitments relate to accommodation rental with lease terms of 10 years to expire 31 Aug. 2020, plant and equipment implementation, operation and maintenance commitments.

2. Comparative year data has been restated.

## Note 16: Contingent assets and contingent liabilities

At 30 June 2016 the VCGLR had no contingent assets and contingent liabilities (2015: nil).

## Note 17: Financial instruments

### (a) Financial risk management objectives and policies

The VCGLR's principal financial instruments comprise:

- cash and deposits;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables); and
- finance lease liability payable.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 1 to the financial statements. The main purpose in holding financial instruments is to prudentially manage VCGLR's financial risks in the government policy parameters.

The carrying amounts of the VCGLR’s contractual financial assets and financial liabilities by category are in Table 17.1.

**Table 17.1: Categorisation of financial instruments**

	Contractual financial assets-loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
<b>2016</b>			
<b>Contractual financial assets</b>			
Cash and deposits	604,566	0	604,566
Funds held in Trust (controlled) <sup>1</sup>	897,924	0	897,924
Receivables <sup>2</sup>	104,701	0	104,701
<b>Total contractual financial assets</b>	<b>1,607,192</b>	<b>0</b>	<b>1,607,192</b>
<b>Contractual financial liabilities</b>			
Payables <sup>2</sup>	0	1,331,789	1,331,789
<b>Borrowings</b>			
Finance lease liabilities		77,125	77,125
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>1,408,914</b>	<b>1,408,914</b>
<b>2015</b>			
<b>Contractual financial assets</b>			
Cash and deposits	927,403	0	927,403
Funds held in Trust (controlled) <sup>1</sup>	2,159,034	0	2,159,034
Receivables <sup>2</sup>	19,475	0	19,475
<b>Total contractual financial assets</b>	<b>3,105,912</b>	<b>0</b>	<b>3,105,912</b>
<b>Contractual financial liabilities</b>			
Payables <sup>2</sup>	0	1,501,620	1,501,620
<b>Borrowings</b>			
Finance lease liabilities	0	0	0
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>1,501,620</b>	<b>1,501,620</b>

**Notes:**

1. Funds held in trust is represented by an amount of \$0.897 million provided by the Department of Justice and Regulation specifically to meet the development costs of the LaGIS project. The VCGLR has no discretion to apply this balance to any alternate purpose.

2. The total amount disclosed here excludes statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

Table 17.2: Net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss) \$	Total interest income/(expense) \$	Fees income/(expense) \$	Total \$
<b>2016</b>				
<b>Contractual financial assets</b>				
Financial Assets - Finance lease receivables	0	0	0	0
<b>Total contractual financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Contractual financial liabilities</b>				
Financial Liabilities at amortised cost	0	1,093	0	1,093
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>1,093</b>	<b>0</b>	<b>1,093</b>
<b>2015</b>				
<b>Contractual financial assets</b>				
Financial Assets - Finance lease receivables	0	0	0	0
<b>Total contractual financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Contractual financial liabilities</b>				
Financial Liabilities at amortised cost	0	0	0	0
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**(b) Credit risk**

Credit risk arises from the financial assets of the VCGLR, which comprise cash and deposit and receivables. The VCGLR’s exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the VCGLR. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the VCGLR’s financial assets is minimal because the main debtor is the Victorian Government.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the VCGLR will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

The carrying amount of financial assets recorded in the financial report represents the VCGLR’s maximum exposure to credit risk as indicated in Table 17.3.

**Table 17.3: Credit quality of contractual financial assets that are neither past due nor impaired**

	Financial institutions (AA- credit rating) \$	Government agencies (Triple A credit rating) \$	Other \$	Total \$
<b>2016</b>				
<b>Contractual financial assets</b>				
Cash and deposits	604,566	0	0	604,566
Funds held in Trust (controlled)	0	897,924	0	897,924
Receivables <sup>1</sup>	0	0	104,701	104,701
<b>Total contractual financial assets</b>	<b>604,566</b>	<b>897,924</b>	<b>104,701</b>	<b>1,607,192</b>
<b>2015</b>				
<b>Contractual financial assets</b>				
Cash and deposits	927,403	0	0	927,403
Funds held in Trust (controlled)	0	2,159,034	0	2,159,034
Receivables <sup>1</sup>	0	0	19,475	19,475
<b>Total contractual financial assets</b>	<b>927,403</b>	<b>2,159,034</b>	<b>19,475</b>	<b>3,105,912</b>

Note:

1. The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

Currently the VCGLR does not hold any collateral as security nor credit enhancements relating to any of its financial assets. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

The following table indicates the ageing analysis of contractual financial assets.

**Table 17.4: Ageing analysis of contractual financial assets**

	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1–3 months	3 months–1 year	1–5 years
	\$	\$	\$	\$	\$	\$
<b>2016</b>						
Receivables <sup>1</sup>	104,701	16,594	75,873	12,234	0	0
	<b>104,701</b>	<b>16,594</b>	<b>75,873</b>	<b>12,234</b>	<b>0</b>	<b>0</b>
<b>2015</b>						
Receivables <sup>1</sup>	19,475	9,652	8,954	32	628	209
	<b>19,475</b>	<b>9,652</b>	<b>8,954</b>	<b>32</b>	<b>628</b>	<b>209</b>

Note:

1. The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

**(c) Liquidity risk**

Liquidity risk is the risk that the VCGLR would be unable to meet its financial obligations as they fall due. The VCGLR operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The VCGLR’s maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet.

The VCGLR’s exposure to liquidity risk is deemed insignificant based on prior periods’ data and current assessment of risk.

The following table discloses the contractual maturity analysis for the VCGLR’s financial liabilities.

**Table 17.5: Maturity analysis of contractual financial liabilities<sup>2</sup>**

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1–3 months \$	3 months–1 year \$	1–5 years \$
<b>2016</b>						
Payables <sup>1</sup>	1,331,789	1,331,789	1,331,789	0	0	0
<b>Borrowings</b>						
Finance lease liabilities	77,125	82,028	1,425	2,849	12,822	64,933
	<b>1,408,914</b>	<b>1,413,817</b>	<b>1,333,213</b>	<b>2,849</b>	<b>12,822</b>	<b>64,933</b>
<b>2015</b>						
Payables <sup>1</sup>	1,501,620	1,501,620	1,501,620	0	0	0
<b>Borrowings</b>						
Finance lease liabilities	0	0	0	0	0	0
	<b>1,501,620</b>	<b>1,501,620</b>	<b>1,501,620</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes:

1. The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

2. Maturity analysis is presented using the contractual un-discounted cash flows.

**(d) Market risk**

The VCGLR's exposure to market risk is considered to be insignificant. The VCGLR does not engage in financial trading and does not have exposure to foreign currency and other price risks. None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

**Table 17.6: Interest rate exposure of financial instruments**

	Weighted average effective interest rate %	Carrying amount \$	Interest rate risk exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2016</b>					
<b>Financial assets</b>					
Cash and Deposits	2	604,566	0	604,566	0
Funds held in trust	N/A	897,924	0	0	897,924
Receivables <sup>1</sup>	N/A	104,701	0	0	104,701
<b>Total financial assets</b>		<b>1,607,192</b>	<b>0</b>	<b>604,566</b>	<b>1,002,625</b>
<b>Financial liabilities</b>					
Payables <sup>1</sup>	N/A	1,331,789	0	0	1,331,789
<b>Borrowings</b>					
Finance lease liabilities	3.25	77,125	77,125	0	0
<b>Total financial liabilities</b>		<b>1,408,914</b>	<b>77,125</b>	<b>0</b>	<b>1,331,789</b>
<b>2015</b>					
<b>Financial assets</b>					
Cash and deposits	2	927,403	0	927,403	0
Funds held in trust	N/A	2,159,034	0	0	2,159,034
Receivables <sup>1</sup>	N/A	19,475	0	0	19,475
<b>Total financial assets</b>		<b>3,105,912</b>	<b>0</b>	<b>927,403</b>	<b>2,178,509</b>
<b>Financial liabilities</b>					
Payables <sup>1</sup>	N/A	1,501,620	0	0	1,501,620
<b>Borrowings</b>					
Finance lease liabilities		0	0	0	0
<b>Total financial liabilities</b>		<b>1,501,620</b>	<b>0</b>	<b>0</b>	<b>1,501,620</b>

Note:

1. The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

**(e) Fair value**

Cash and deposits are categorised as Level 1 in the fair value hierarchy. Receivables are categorised as Level 3 in the fair value hierarchy.

The VCGLR considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as their carrying amounts.

**Table 17.7: Comparison between carrying amount and fair value**

	Carrying Amount 2016	Fair value 2016	Carrying Amount 2015	Fair value 2015
<b>Contractual financial assets</b>				
Cash and cash equivalents	1,502,491	1,502,491	3,086,437	3,086,437
Receivables <sup>1</sup>	104,701	104,701	19,475	19,475
<b>Total contractual financial assets</b>	<b>1,607,192</b>	<b>1,607,192</b>	<b>3,105,912</b>	<b>3,105,912</b>
<b>Contractual financial liabilities</b>				
Payables <sup>1</sup>	1,331,789	1,331,789	1,501,620	1,501,620
Finance lease liabilities	77,125	77,125	0	0
<b>Total contractual financial liabilities</b>	<b>1,408,914</b>	<b>1,408,914</b>	<b>1,501,620</b>	<b>1,501,620</b>

Note:

1. The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

## Note 18: Cash flow information

### (a) Reconciliation of cash and deposits

For the purposes of the cash flow statement, cash includes cash on hand and in banks. Cash at the end of the period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2016 \$	2015 \$
Total cash and cash equivalents <sup>1</sup>	604,567	927,403
Trust Funds <sup>2</sup>	897,924	2,159,034
<b>Balance as per Cash Flow Statement</b>	<b>1,502,491</b>	<b>3,086,437</b>

Note:

1. Due to the State of Victoria's investment policy and government funding arrangements, agencies generally do not hold a large cash reserve in their bank accounts. Cash received by an agency from the generation of revenue is generally paid into the State's bank account, known as the public account. Similarly, any agency expenditure, including those in the form of cheques drawn by an agency for the payment of goods and services to its suppliers and creditors are made via the public account. The process is such that the public account would remit to the agency the cash required for the amount drawn on the cheques. This remittance by the public account occurs upon the presentation of the cheques by the agency's suppliers or creditors.

2. The trust funds held by the VCGLR are specifically allocated to meet the development costs of the LaGIS project. The VCGLR has no discretion to apply this balance to any alternate purpose, see Note 24.

### (b) Reconciliation of net result for the period

	2016 \$	2015 \$
<b>Net result for the period</b>	<b>(1,154,445)</b>	<b>2,825,135</b>
<b>Non cash movements:</b>		
Depreciation and amortisation of non-current assets	1,636,873	1,592,527
(Gain)/loss on sale or disposal of non-current assets	156,474	0
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	(938,523)	(362,652)
(Increase)/decrease in other non-financial assets	(311,870)	248,029
Increase/(decrease) in payables	(169,831)	(480,535)
Increase/(decrease) in provisions	661,633	(82,990)
<b>Net cash flows from/(used in) operating activities</b>	<b>(119,689)</b>	<b>3,739,514</b>

### (c) Non-cash and investing activities

During the reporting period VCGLR acquired motor vehicles through a finance lease arrangement to the value of \$83,155 (2015: nil).

## Note 19: Summary of compliance with grant funding

	Grant funding advice \$	Funding available \$	Funding applied \$
<b>2016</b>			
Grant revenue - provision for outputs	32,828,773	32,828,773	32,828,773
Capital contribution - addition to net assets	0	0	0
<b>Total funding</b>	<b>32,828,773</b>	<b>32,828,773</b>	<b>32,828,773</b>
<b>2015</b>			
Grant revenue - provision for outputs	32,454,227	32,454,227	32,454,227
Capital contribution - addition to net assets	0	0	0
<b>Total funding</b>	<b>32,454,227</b>	<b>32,454,227</b>	<b>32,454,227</b>

## Note 20: Ex gratia payments

As at 30 June 2016 the VCGLR had not made any ex gratia payments (2015: nil).

## Note 21: Transactions on behalf of Government

### Collection of revenue on behalf of government

In addition to the specific VCGLR operations which are included in the comprehensive operating statement, balance sheet, statement of changes in equity and cash flow statement, the VCGLR collects revenue amounts on behalf of Government which are paid directly into the Consolidated Fund. Revenue collected includes taxes, fees and fines and the proceeds from the sale of non-current assets.

The VCGLR also makes payments from the Consolidated Fund revenue to other jurisdictions (Payments made on behalf of States) for their share of public lottery taxes which are collected in Victoria.

### Licence revenue

Licence revenue is recognised systematically over the licence period. This is done through the unwinding of the unearned licence revenue liability as income over each financial year until the licence period ends.

### Public lottery

On 31 October 2007, an amount of \$13.3 million for the Category 1 Public Lottery Licence was received. This is to be recognised over 10 years of which \$2.66 million is recognised as unearned income as at 30 June 2016.

On 25 September 2008, \$980,000 for Category 1 Public Lottery amendment which included Monday and Wednesday lotto was received and is to be recognised over 10 years of which \$196,000 is recognised as unearned income as at 30 June 2016.

### Keno

The \$60 million from Keno licences received on 19 April 2011 is to be recognised over 10 years. The licence became operational on 15 April 2012, of which \$35.0 million is recognised as unearned income as at 30 June 2016.

### Wagering and betting licences

An amount of \$410 million which was received on 19 January 2012 for Wagering and Betting licences is to be recognised over 12 years. The licence became operational on 16 August 2012 and \$276.2 million is recognised as unearned income as at 30 June 2016.

### Electronic gaming machine licences

During the period ended 30 June 2010, amounts on behalf of Government were collected in relation to the electronic gaming machine entitlements (licences). The licences became operational 16 August 2012. The unearned income recognised is \$577.6 million as at 30 June 2016 (2015: \$671.6 million).

### Casino licence

Crown Melbourne Ltd ('Crown') paid \$250 million based on approved amendments to the Casino licence that became operational on 3 November 2014. Under the agreement, Crown will also pay to the State:

- Guaranteed payments of at least \$35 million per annum over 6 years till 30 June 2021 in respect of tax on Gross Gaming Revenue and Commission Based Players' Gaming Revenue from new gaming products
  - Under the terms of the contract, if the actual casino tax (tax guarantee) from new gaming product referable to any financial year during the guarantee period is less than the guaranteed sum, Crown will pay difference to the State. During the period ending 30 June 2016, the casino tax payments from the new gaming products exceeded the \$35 million tax guarantee, resulting in no additional tax payment received by the State
  - The additional payments expected in order to guarantee the \$35 million increase in taxation- should the increase in taxation not be achieved in the period has been included in the calculation of the annual licence revenue
- The following additional amounts on 1 September 2022:
  - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.0%, then Crown will pay to the State an amount of \$100,000,000, and
  - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.7%, then Crown will pay to the State, in addition to the amount above, a further amount of \$100,000,000, and
  - \$250 million on 1 July 2033.

The contingent payment linked to compound annual growth in gaming revenue exceeding 4.0% has been included in the calculation of the licence revenue. Management's assessment based on projections using existing data is that its receipt is almost certain. This receivable is assessed annually for impairment.

The unearned income recognised is \$456.5 million as at 30 June 2016 (2015: \$485.1 million).

As at 30 June 2016, a total of \$1,348 million is recognised as unearned income by the VCGLR (2015: \$1,512 million).

**Table 21: Transactions on behalf of Government**

	2016 \$'000	2015 \$'000
<b>Income—Amounts collected/receivable on behalf of Government</b>		
Appropriations-Payments made on behalf of the State	28,905	28,871
Gaming Taxation	984,393	964,242
Licence Fees	451	725
Minor Gaming	14	938
Keno	10,776	10,053
Casino Taxation and Licence Fees	228,227	216,771
Racing Taxation and Licence Fees	12,098	11,437
Tattersall's Lotteries	452,218	417,614
Intralot Lotteries	0	8,783
Tabcorp Supervision Fee	1,252	1,287
Tattersall's Supervision Fee	913	695
Intralot Supervision Fee	47	400
Venue Operators Supervision Fee	5,231	5,998
Lottery Premium Payment	3,524	3,383
Liquor Licence and Application Fees	2,215	2,122
Gambling Venue Licence Fees	94,011	93,957
Wagering and Betting Taxation and Licence Fees	76,760	81,631
Miscellaneous	18,043	20,241
<b>Total amount collected/receivable</b>	<b>1,919,078</b>	<b>1,869,148</b>
<b>Expenses—Amounts paid/payable on behalf of Government</b>		
Payments made to other jurisdictions	28,905	28,871
Payments to consolidated fund	1,903,090	2,168,091
Bad and doubtful debts	288	23
<b>Total amount paid/payable</b>	<b>1,932,283</b>	<b>2,196,986</b>
<b>Other economic flows</b>		
Net gain/(loss) on non-financial assets	(5,532)	3,000
<b>Total other economic flows</b>	<b>(5,532)</b>	<b>3,000</b>
<b>Total amount paid/payable including economic flows</b>	<b>1,926,751</b>	<b>2,199,986</b>
<b>Net Result from transactions (net operating balance)</b>	<b>(7,673)</b>	<b>(330,837)</b>

Table 21: Transactions on behalf of Government (cont.)

	2016 \$'000	2015 \$'000
<b>Assets</b>		
<b>Current Asset</b>		
Receivables	233,862	309,551
<b>Total current asset</b>	<b>233,862</b>	<b>309,551</b>
<b>Non-Current Asset</b>		
Receivables	259,646	355,594
<b>Total non-current asset</b>	<b>259,646</b>	<b>355,594</b>
<b>Total assets</b>	<b>493,508</b>	<b>665,145</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Unearned income	148,661	149,556
Payables	2,607	2,314
<b>Total current liabilities</b>	<b>151,268</b>	<b>151,870</b>
<b>Non-current liabilities</b>		
Unearned income	1,199,452	1,362,814
<b>Total non-current liabilities</b>	<b>1,199,452</b>	<b>1,362,814</b>
<b>Total liabilities</b>	<b>1,350,720</b>	<b>1,514,685</b>
<b>Net Assets</b>	<b>(857,212)</b>	<b>(849,540)</b>
<b>Equity</b>	<b>(857,212)</b>	<b>(849,540)</b>

## Note 22: Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Responsible Minister, Members of the Commission and Accountable Officer in the VCGLR are as follows:

#### Responsible Minister—Minister for Consumer Affairs, Gaming & Liquor Regulation.

The Hon. Jane Garrett, MP	1 July 2015 to 9 June 2016
The Hon. James Merlino, MP	10 June 2016 to 19 June 2016
The Hon. Marlene Kairouz, MP	20 June 2016 to 30 June 2016

#### Responsible Minister—Acting Minister for Consumer Affairs, Gaming & Liquor Regulation.

The Hon. Wade Noonan, MP	1 July 2015 to 12 July 2015
The Hon. Lisa Neville, MP	21 September 2015 to 2 October 2015
The Hon. Martin Pakula, MP	25 March 2016 to 10 April 2016

#### Commission Members:

Mr Ross Kennedy, PSM (Acting Chair)	1 July 2015 to 10 July 2015
Dr. Bruce Cohen (Chair)	11 July 2015 to 30 June 2016
Ms Gail Owen, OAM (Deputy Chair)	1 July 2015 to 5 August 2015
Mr Robert Kerr (Commissioner)	1 July 2015 to 5 August 2015
Ms Kate Hamond (Commissioner)	1 July 2015 to 5 August 2015
Mr Des Powell, AM (Commissioner)	1 July 2015 to 30 June 2016
Mr Ross Kennedy, PSM (Deputy Chair)	11 July 2015 to 30 June 2016
Ms Deirdre O'Donnell (Commissioner)	6 August 2015 to 30 June 2016
Ms Helen Versey (Deputy Chair)	6 August 2015 to 30 June 2016

#### Accountable Officer—Chief Executive Officer

Ms Catherine Myers (Acting Chief Executive Officer)	1 July 2015 to 27 July 2015
Ms Catherine Myers (Chief Executive Officer)	28 July 2015 to 30 June 2016
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	17 September 2015 to 28 September 2015
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	18 January 2016 to 29 January 2016
Mr Michael Everett (Acting Chief Executive Officer)	25 March 2016 to 3 April 2016

## Remuneration

Remuneration received or receivable by members of the Commission and the Accountable Officer covers the period from 1 July 2015 to 30 June 2016.

### Commissioners and Accountable Officer

Remuneration received or receivable by members of the Commission including the Accountable Officer in connection with the management of the VCGLR during the reporting period was in the range:

Income Band	2016 No.	2015 No.
\$10,000–\$19,999	3	0
\$20,000–\$29,999	0	1
\$100,000–\$109,999	1	0
\$110,000–\$119,999	1	3
\$120,000–\$129,999	1	1
\$130,000–\$139,999	1	2
\$170,000–\$179,999	1	0
\$260,000–\$269,999	1	1
<b>Total numbers</b>	<b>9</b>	<b>8</b>
<b>Total amount</b>	<b>\$957,962</b>	<b>\$1,033,725</b>

## Minister

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from: [www.parliament.vic.gov.au/publications/register-of-interests](http://www.parliament.vic.gov.au/publications/register-of-interests).

## Note 23: Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities)

The number of executive officers, other than Responsible Persons, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the 2015–16 reporting period.

Income Band	Total remuneration		Base remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
\$100,000 - \$109,999	2	0	2	0
\$130,000 - \$139,999	1	0	1	0
\$140,000 - \$149,999	0	1	0	1
\$150,000 - \$159,999	1	0	1	0
\$160,000 - \$169,999	0	0	0	2
\$170,000 - \$179,999	1	3	1	2
\$190,000 - \$199,999	1	0	1	0
\$200,000 - \$209,999	1	0	1	0
\$260,000 - \$269,999	0	1	0	0
<b>Total number of executives</b>	<b>7</b>	<b>5</b>	<b>7</b>	<b>5</b>
<b>Total annualised employee equivalents (AEE)<sup>1</sup></b>	<b>6.54</b>	<b>4.79</b>	<b>6.54</b>	<b>4.79</b>
<b>Total amount</b>	<b>\$1,078,819</b>	<b>\$931,704</b>	<b>\$1,073,631</b>	<b>\$831,020</b>

Note:

1. Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

There were no payments made to contractors in executive roles.

## Note 24: Trust account balances

	Opening Balance 1 July 2015 \$	Total Receipts \$	Total Payments \$	Closing Balance 30 June 2016 \$
<b>2016</b>				
<b>Controlled trusts</b>				
LaGIS trust account	2,159,034	(788,800)	472,310	897,924
	Opening Balance 1 July 2014 \$	Total Receipts \$	Total Payments \$	Closing Balance 30 June 2015 \$
<b>2015</b>				
<b>Controlled trusts</b>				
LaGIS trust account	0	3,041,115	882,081	2,159,034

During 2015–16 the VCGLR returned \$0.789 million to the Department of Justice and Regulation from the LaGIS trust account. The LaGIS trust funds are specifically allocated to meet the development costs of the LaGIS project. The VCGLR received \$3.041 million in 2014–15. The VCGLR has no discretion to apply this balance to any alternate purpose.

## Note 25: Remuneration of auditors

	2016 \$	2015 \$
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	135,000	118,500

## Note 26: Related party transactions

Related party transactions for responsible persons requiring disclosure have been considered and there are no matters to report. Transactions with related parties are conducted at arms-length on normal commercial terms.

## Note 27: Subsequent events

Negotiations for a variation deed in relation to the contract between the VCGLR and Itree for the provision of the LaGIS system are underway. The new variation deed may result in forward commitments for the contract and is expected to be signed in 2016–17.

## Note 28: Glossary of terms and style conventions

### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

### Employee expenses

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### Ex gratia payments

Ex gratia payments mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

### Financial asset

A financial asset is any asset that is:

- a. cash;
- b. a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

### Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### Financial liability

A financial liability is any liability that is a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

## Financial statements

A complete set of financial statements comprises:

- a. a balance sheet as at the end of the period;
- b. a comprehensive operating statement for the period;
- c. a statement of changes in equity for the period;
- d. a cash flow statement for the period;
- e. notes, comprising a summary of significant accounting policies and other explanatory information;
- f. comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- g. a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

## Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

## Intangible produced assets

Refer to produced assets in this glossary.

## Intangible non-produced assets

Refer to non-produced assets in this glossary.

## Interest expense

Costs incurred in connection with the borrowing of funds, includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

## Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

## Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows—other comprehensive income'.

## Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

## **Net worth**

Assets less liabilities, which is an economic measure of wealth.

## **Non-financial assets**

Non-financial assets are all assets that are not ‘financial assets’. It includes building leasehold improvements—office fit out, EDP hardware, plant, equipment, vehicles and intangible assets.

## **Non-produced assets**

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

## **Other economic flows included in net result**

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

## **Payables**

Includes short and long term trade debt and accounts payable, grants and interest payable.

## **Produced assets**

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the start-up costs associated with capital projects).

## **Receivables**

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

## **Sales of goods and services**

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

## **Supplies and services**

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the VCGLR.

## **Transactions**

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

### Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

- or 0	zero, or rounded to zero
(xxx)	negative numbers
20xx	year period
20xx-xx	year period

The financial statements and notes are presented based on the illustration for a government department in the 2015–16 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VCGLR's annual reports.

## Chair's, Accountable Officer's and Chief Finance and Accounting Officer's declaration

The attached financial statements for the Victorian Commission for Gambling and Liquor Regulation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

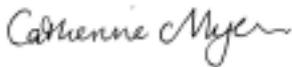
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2016.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 26 September 2016.



Bruce Cohen  
Chair



Catherine Myers  
Chief Executive Officer



Michael Everett  
Director Corporate Services & Chief Finance Officer

Melbourne  
26 September 2016

# Auditor-General's report

## VCGLR financial year ended 30 June 2016



**VAGO**  
Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000

Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

### INDEPENDENT AUDITOR'S REPORT

**To the Commissioners, Victorian Commission for Gambling and Liquor Regulation**

*The Financial Report*

I have audited the accompanying financial report for the year ended 30 June 2016 of the Victorian Commission for Gambling and Liquor Regulation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the chair's, accountable officer's and chief finance and accounting officer's declaration.

*The Commissioners' Responsibility for the Financial Report*

The Commissioners of the Victorian Commission for Gambling and Liquor Regulation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Auditing in the Public Interest*

**Independent Auditor's Report (continued)**

*Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates complied with all applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

*Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Commission for Gambling and Liquor Regulation as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
5 October 2016

For   
Andrew Greaves  
Auditor-General



