



Victorian Commission for  
Gambling and Liquor Regulation



**VICTORIA**  
State  
Government



Annual Report **2018-19**



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# 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 2019 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



**Ross Kennedy PSM**  
Chairperson  
Victorian Commission for Gambling and Liquor Regulation

**3 October 2019**



## **Our Vision**

is that Victorians and visitors enjoy safe and responsible gambling and liquor environments.

## **Our Purpose**

is to regulate Victoria's gambling and liquor industries to ensure their integrity and to minimise harm.



# Message from the Chairperson and CEO



Safe and responsible gambling and liquor environments are at the heart of everything we do at the Victorian Commission for Gambling and Liquor Regulation (VCGLR).

Each year we face new opportunities and challenges in monitoring and regulating these environments across Victoria. Against a backdrop of ongoing industry development and increasing community expectations, we continue to evolve our regulatory approach as a collaborative and influential organisation.

This year, our achievements reflect our growing maturity. We have focused on driving high rates of voluntary licensee compliance, improving the use of data and intelligence to direct our regulatory interventions, and targeting our resources to address activities that pose a higher risk of harm.

## REGULATION AND ENFORCEMENT

This year, the VCGLR completed three complex investigations into major gambling licensees: Tabcorp Wagering (Vic), Intralot Gaming Services and Crown Melbourne Limited. Each investigation resulted in disciplinary action.

We take action when gambling or liquor laws are breached, and where we deem licensee actions could increase the risks of alcohol or gambling related harm. Our recent Crown Casino investigation is an example of the latter.

In March 2019, we directed Crown Melbourne Limited (Crown) to stop issuing patrons with picks that were being used to hold down buttons on electronic gaming machines. While this was not specifically prohibited, we viewed it as having the potential to cause real harm, and used our powers to ensure this practice stopped. We continue to monitor this matter to ensure Crown complies with our direction.

In October 2018, we took action to ban two liquor advertisements on social media after determining they encouraged the irresponsible consumption of liquor. The directive and banning notice provided a clear message to industry that activities that could increase the risk of harm will not be tolerated. We believe this is in line with community expectations.

We also delivered the *Sixth Review of the Casino Operator and Licence* (the Sixth Casino Review) this year. The comprehensive review includes 20 recommendations for the casino operator (refer to page 12 of the review – available on our website), focusing on three main areas for improvement: governance and risk, regulatory compliance and responsible gambling.

With 11 of these recommendations focused on responsible gambling, the review demonstrates that this is an area where both our expectations and those of the community continue to increase.

Other recommendations related to money laundering, approval applications, integrity and exclusion orders with a requirement for Crown to report back to the Commission in relation to its progress regarding each recommendation by a specified due date.

To date, Crown has met their reporting obligations for those recommendations due 1 January 2019 and 1 July 2019 in the Sixth Casino Review. As per standard practice in previous Casino Reviews, and as is the case with every recommendation, the Commission carefully assesses Crown's submissions and then determines whether it is satisfied with Crown's progress regarding each recommendation. The Commission is now in the process of assessing submissions received regarding the recommendations which were due on 1 July 2019.

The year also saw opportunities to share our insights and regulatory expertise with our peers and partners. In October 2018, we hosted the Australasian Liquor Licensing Authorities Forum, exchanging knowledge and experience about areas of common interest and concern and connecting with our interstate colleagues. Through this forum, and our presentations and participation at other seminars and conferences, we are establishing stronger networks with regulators across all sectors and building our reputation.

## RISK-BASED APPROACH

The VCGLR has continued to develop robust risk assessment tools and frameworks to guide decision making.

Building on the risk-based liquor framework developed in 2018, we have developed a new framework to assess suitability requirements specific to the gambling industry to ensure the industry is free from criminal influence and exploitation. These risk tools and decision-making frameworks guide the assessment of both gambling and liquor applications, ensuring greater consistency in our decision making. Extensive consultation across the organisation and input from our regulatory partners informed the development of each framework.

The way we incorporate risk assessment into our activities continues to evolve and develop. During the year, our digital risk-prioritisation tool, the HiVE, continued to deliver accurate and objective risk assessments, enhancing our capacity to make evidence-based decisions about the regulation and supervision of higher risk liquor venues at higher risk times. This saw more than 18 per cent of liquor inspections conducted during higher risk times this year.

Targeting inspections to higher risk liquor venues during higher risk times means we are getting to licensed venues when and where we know the risk of liquor-related harm is greatest and can take appropriate action to reduce the risk of harm.

Our focus on using evidence to inform our risk assessment and decision making was formally recognised this year at the Institute of Public Administration Australia (IPAA) Victoria, Leadership in the Public Sector Awards. Held in February 2019, our HiVE tool won the innovative regulation category. Our use of HiVE means that calculated and consistent risk assessments of licensed venues are standard practice across our organisation, informing operational resourcing and decision making, and it is rewarding to receive independent validation of our approach.

Our dedicated regional presence has completed its first full year of operation, with a significant impact across regional Victoria. This year, we conducted 1904 liquor inspections and 391 gambling inspections across these areas, resulting in more high-harm offences detected across the state, including minors on licensed premises being supplied and consuming liquor. Our regional offices have also built strong working relationships with other regulators and stakeholders throughout Victoria – contributing to what is an essential part of our overall operations.

This year, we signed a *Joint Enforcement Strategy* with Victoria Police, the culmination of a significant amount of work across both organisations to ensure our activities and resources work together in an effective and consistent manner to achieve our regulatory objectives.

Our strong working relationships with the Department of Justice and Community Safety and the Victorian Responsible Gambling Foundation have continued. In September, we also formalised an information-sharing agreement with Consumer Affairs Victoria. These relationships deliver on the recommendation in the 2017 Victorian Auditor General's report *Regulating Gambling and Liquor* to 'develop a comprehensive collaborative enforcement strategy to more efficiently and effectively target harms associated with licensed premises'.

## OUR PEOPLE

At the VCGLR, we recognise that our people are vital in enabling us to successfully carry out our functions. We continue to build the capacity and capability of our staff and align organisational policy and structure to better achieve our objectives. Structural changes this year included disbanding the Research and Engagement Division and moving teams to other areas to better align resources and improve service delivery.

Targeted training included training for inspectors such as gambling-related programs, administration and occupational awareness programs as well as Certificate IV in Government Investigations and our Licensing staff trained in using new risk-based frameworks.

The VCGLR also has six dedicated places in the Institute of Public Administration Young Professional Program (YIPPA) Peer Plus Mentoring Program, supporting young professionals (under 36 years) across the organisation to connect with senior public sector practitioners and attend networking opportunities and events.

## TECHNOLOGY

The VCGLR continues to focus on systems and technology to ensure we are as effective as possible.

This year, we implemented technology improvements to reduce red tape for industry and make it easier for Victorians to interact with us while building more efficient internal systems and processes.

This allowed us to move more application forms online. We also transferred the Responsible Service of Alcohol (RSA) refresher course onto a new platform. Not only does the new website provide an improved look and feel, more importantly it is now compatible with all web browsers, eliminating what was a common cause of frustration for our users.

We implemented a new automated system to notify Victoria Police of licence applications, replacing what was previously a manual process. We are also continuing to simplify the way we collect wholesale data to ensure a more user-friendly process will be available in time for next year's reporting period.

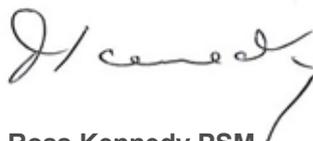
## THE FUTURE

Throughout the year, we worked with central agencies and the Department of Justice and Community Safety as part of a cost review, as we seek to achieve long-term budget stability.

Ongoing resourcing pressures require greater budget certainty and an alternative funding model may be needed to ensure we can continue to deliver on our statutory obligations and expectations as set out in the *Budget Paper 3: Service Delivery* (BP3) and Minister's Statement of Expectations. We look forward to greater resourcing certainty in the near future.

We must remain attuned to the expectations of the public while operating within our legislative remit and budget environment. Undoubtedly, the next year will bring fresh challenges and opportunities and we are confident we are well placed to meet them.

We are proud of our work and the progress we continue to make. This would not be possible without the commitment of our Commissioners, executive and staff and we take this opportunity to recognise and thank them for their hard work this year.



**Ross Kennedy PSM**  
Chairperson



**Catherine Myers**  
Chief Executive Officer

## About Us

As the independent statutory authority that regulates Victoria's gambling and liquor industries, the Victorian Commission for Gambling and Liquor Regulation (VCGLR) is one of several regulators in a system of oversight of the gambling and liquor industries and we work collaboratively with a wide range of state and federal government regulators and law enforcement agencies. The VCGLR is responsible for monitoring and regulating the gambling and liquor industries and ensuring compliance with relevant legislation and regulations as well as informing industry and the public about our regulatory practices and requirements.

With oversight of approximately 23,000 liquor licences, more than 600 Keno outlets and 730 wagering and betting agents, the VCGLR also manages the state-wide cap of up to 30,000 electronic gaming machines across approximately 500 individual gaming venues, more than 790 lottery agents and a single casino operator. Each year the VCGLR assesses and determines more than 6,000 gambling activities such as gaming industry employees, casino special employees and venue operator licences as well as overseeing bookmakers, community and charitable gaming applications and regulating public lotteries.

The VCGLR's obligations are set out in several Acts of Parliament including the *Victorian Commission for Gambling and Liquor Regulation Act 2011*.

The VCGLR regulates:

- all forms of legalised gambling in accordance with the *Gambling Regulation Act 2003*, the *Casino Control Act 1991*, the *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*.

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 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 forms part of Commission decision-making. 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 operates three governance committees relating to people and culture, audit and risk management, and legislation, regulation and policy.

## Our people



### **ROSS KENNEDY PSM, CHAIRPERSON**

Mr Kennedy has an extensive background working at senior levels serving the Victorian Government and community. He was the Executive Director responsible for liquor, gaming and racing at the then Victorian Department of Justice immediately prior to joining the VCGLR – a role he had performed for more than ten 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. Mr Kennedy was appointed Chair in 2017 and prior to this served as Deputy Chair of the VCGLR.



### **HELEN VERSEY, DEPUTY CHAIRPERSON**

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 during the substantive Commissioner’s periods of absence. Ms Versey served as the Victorian Privacy Commissioner from 2006 to 2012.



### **DEIRDRE O'DONNELL PSM, DEPUTY CHAIRPERSON**

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 a Master of Business Administration and a Master of Commercial Law from the University of Melbourne. Ms O'Donnell was State Ombudsman in Western Australia, Ombudsman for the Telecommunications Industry 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.



### **DR DINA MCMILLAN, COMMISSIONER**

Dr McMillan is a social psychologist and author with a PhD from Stanford University and an extensive background in research and community service. For more than 20 years, Dr McMillan has worked with organisations and community groups in domestic and family violence awareness, prevention and policy. Moving from the United States to Australia in 2004, she established her own consulting firm specialising in domestic and family violence prevention projects and launched an internationally recognised program to prevent domestic abuse and violence.



### **DES POWELL AM, SESSIONAL COMMISSIONER**

Mr Powell is an experienced senior executive and director within the private and public sectors. Currently he is Chair of TAFE Gippsland, Director of the Victorian Regional Channels Authority, a Director of Barwon Water and a Director of Mercy Education.



### **CATHERINE MYERS, CHIEF EXECUTIVE OFFICER**

Ms Myers was appointed CEO in July 2015. She has an extensive background in communication, regulation, education, strategic planning and client services within both the public and private sectors. She holds a Bachelor of Education and a Master of Business Administration from La Trobe University. Ms Myers has led extensive operational reform including the development of risk-based tools and decision making frameworks in both gambling, licensing and compliance monitoring practice since starting at the VCGLR in its establishment in 2012. Ms Myers holds the position of Trustee of the International Association of Gaming Regulators for the Asia/Oceania region.

# Our organisation

The VCGLR’s organisational structure includes five divisions that report to the CEO and an administrative and co-ordination function within the Office of the CEO.



## COMPLIANCE

The Compliance Division is responsible for inspecting, educating, monitoring, and enforcing compliance with Victoria’s gambling and liquor legislation. This is achieved through a risk-based, intelligence-led approach to identifying and managing risks and harms. This targeted approach is designed to ensure the appropriate regulation of entities according to the level of risk they pose to the community. It also means the divisional focus is on risks of high harm.

Inspectors are responsible for inspecting licensed premises and gambling activities across Victoria to ensure regulated entities are aware of – and comply with – their obligations. System audits are also performed on major licensees to check approved procedures and controls are in place. The division’s education unit leads outreach activities to industry through targeted education campaigns, developing and managing training programs and managing the VCGLR’s involvement in liquor forums, accords, and industry and community related events.

The division works collaboratively across the organisation and with external partners. Partner agencies include law enforcement, regulatory bodies, local municipal authorities and other state and federal government entities. Promoting positive stakeholder relations is a focus for the division and has resulted in increased engagement, as well as the formalisation of operational and information sharing arrangements with external stakeholders..

## LICENSING

The Licensing Division conducts and oversees a variety of licensing activities, including assessing and determining applications for gambling and liquor licences, permits and various other approvals under Commission delegation. It also responds to initial enquiries from the public and industry through face-to-face, phone and email contact.

The division has an active role in monitoring the standards of industry participants through:

- administration of the demerit point system
- community benefit statement returns by clubs
- bingo and raffle returns
- gaming machine entitlement instalment payments
- the monitoring of gaming industry participants.

The division is responsible for completing a range of different audits to ensure the integrity of gambling operations and the accuracy and completeness of distributions from gambling.

Responsibility for the management and oversight of Victoria’s major gambling licences is also held within the division. This is achieved through the development of relationships with major licensees and key industry stakeholders, monitoring performance and compliance with licences and by identifying and managing risks to achieve positive regulatory outcomes.

## LEGAL SERVICES

The Legal Services Division provides legal, regulatory and policy services to the organisation as well as managing the secretariat functions to support Commission meetings and hearings.

The division provides legal services to all areas of the VCGLR, prosecutes offences under gambling and liquor legislation, acts as Counsel Assisting the Commission in inquiries, and represents the Commission in appellate and review proceedings.

Legal Services provides advice and implements Victorian Government policy in gambling and liquor regulation, assists other areas of the Commission to operationalise any legislative and regulatory reforms, and supports the Commission's Legislation, Regulation and Policy Committee.

The division also delivers regulatory strategy services to assist the Commission to develop innovative and effective regulatory practices, consider and implement contemporary regulatory theory and practices, and collaborates with key stakeholders within government, other regulators and researchers.

## INFORMATION COMMUNICATION TECHNOLOGY (ICT)

The ICT Division manages a broad suite of digital applications, infrastructure and processes to ensure continuous availability of service to internal customers and external stakeholders, and to protect the organisation's systems against security threats. Along with supporting applications and technologies, ICT works to maintain and update the VCGLR's technology to meet business needs while ensuring value for money. The division provides day-to-day services as well as driving long-term projects to improve technological capabilities such as online and mobile services, upgrading infrastructure and enhancing business intelligence.

## CORPORATE SERVICES

The Corporate Services Division comprises finance, business services, people and culture, governance and risk and strategic communication functions. Finance is responsible for ensuring accurate, transparent, timely management and reporting on the financial performance of the VCGLR as well as the collection of licence and taxation revenue of more than \$1.8 billion per annum. The business services area leads procurement and records management for the organisation as well as facilities management and office administration. The VCGLR's human resources functions are carried out by the People and Culture team, whose responsibilities include staff development, industrial and employee relations, payroll and occupational health and safety. The Governance and Risk team ensures the organisation's compliance with whole-of-government governance frameworks and policies. Strategic Communications manages the organisation's internal and external communication functions including media relations and branding.

## OFFICE OF THE CEO

The Office of the CEO leads liaison with the Department of Justice and Community Safety and the provision of information to the Minister as well as delivering strategic planning and reporting functions on behalf of the organisation. The Office is also responsible for key stakeholder liaison, issues management and executive secretariat functions.

# Our values

The VCGLR plays a critical role in the regulation of Victoria's gambling and liquor industries to ensure their integrity and to minimise harm. As public sector employees, our people uphold the Victorian public sector values as established by the *Public Administration Act 2004*.

The VCGLR's four values – aligned with the values in the Act – guide behaviours and decision making and ensure trust and confidence in our work and our ability to achieve our vision and purpose.

Being mindful of these values enhances the capabilities of individuals, strengthens the VCGLR's capacity to operate effectively and achieve its objectives, and improves outcomes.

These values are:



## WORK TOGETHER

The VCGLR values working together, encouraging and supporting each other. We consult to achieve shared goals and keep people informed. Our emphasis is on developing and maintaining positive working relationships, collaboration and acknowledging and celebrating success.



## RESPECT OTHER PEOPLE

We treat all people with respect, seek different perspectives and approaches, and value achieving a work/life balance. The VCGLR fosters an environment where people give and receive feedback constructively and consider the ideas and contributions of others.



## ACT WITH INTEGRITY

Valuing integrity means we accept accountability for actions and endeavour to act with honesty, fairness and reliability, approach our work with enthusiasm and commitment, apply sound judgement and common sense, and embrace personal and professional development.



## MAKE IT HAPPEN

Adopting this value means our people are committed to thinking and planning ahead, focusing on agreed priorities, delivering on commitments, meeting agreed timelines, being responsive and flexible, and striving for excellence.

# Our regulatory approach

The VCGLR performs its regulatory functions through an integrated approach focused on the combination of licensing, communicating, educating, monitoring and enforcing to regulate the gambling and liquor industries. The approach acknowledges the effectiveness of a multi-faceted use of regulatory tools to achieve compliance.

The regulatory approach is based on contemporary regulatory theory and details five overarching principles:



## RISK-BASED

The VCGLR uses evidence-based risk assessments to allocate appropriate resources to the highest risks and having the right processes in place to address different levels of risk.



## PROACTIVE

The VCGLR uses independent decision making, identification of emerging issues and our ability to respond in order to reduce significant community harm.



## COLLABORATIVE

The VCGLR collaborates with regulatory partners, gambling and liquor industries and the community.



## TRANSPARENT

The VCGLR remains open about how we regulate.



## TARGETED

The VCGLR chooses proportionate enforcement activities that target individual offenders to change their behaviour and secure compliance with gambling and liquor laws for the protection of the community.

## Regulatory approach in action

The Spring Racing Carnival is a significant event on the Victorian calendar. It involves hundreds of thousands of Victorians and visitors across multiple venues and includes both gambling and liquor-based activities across nine major race meetings including the Melbourne Cup.

Using an evidence-based risk assessment, the VCGLR works proactively with the relevant licensees and stakeholders including Victoria Police, Tabcorp, Racing Victoria and compliance staff at each of the three racing venues.

The early engagement of stakeholders in education activities in the lead up to the carnival ensures emerging issues are identified early and appropriate mitigation strategies are implemented to ensure community safety and compliance.

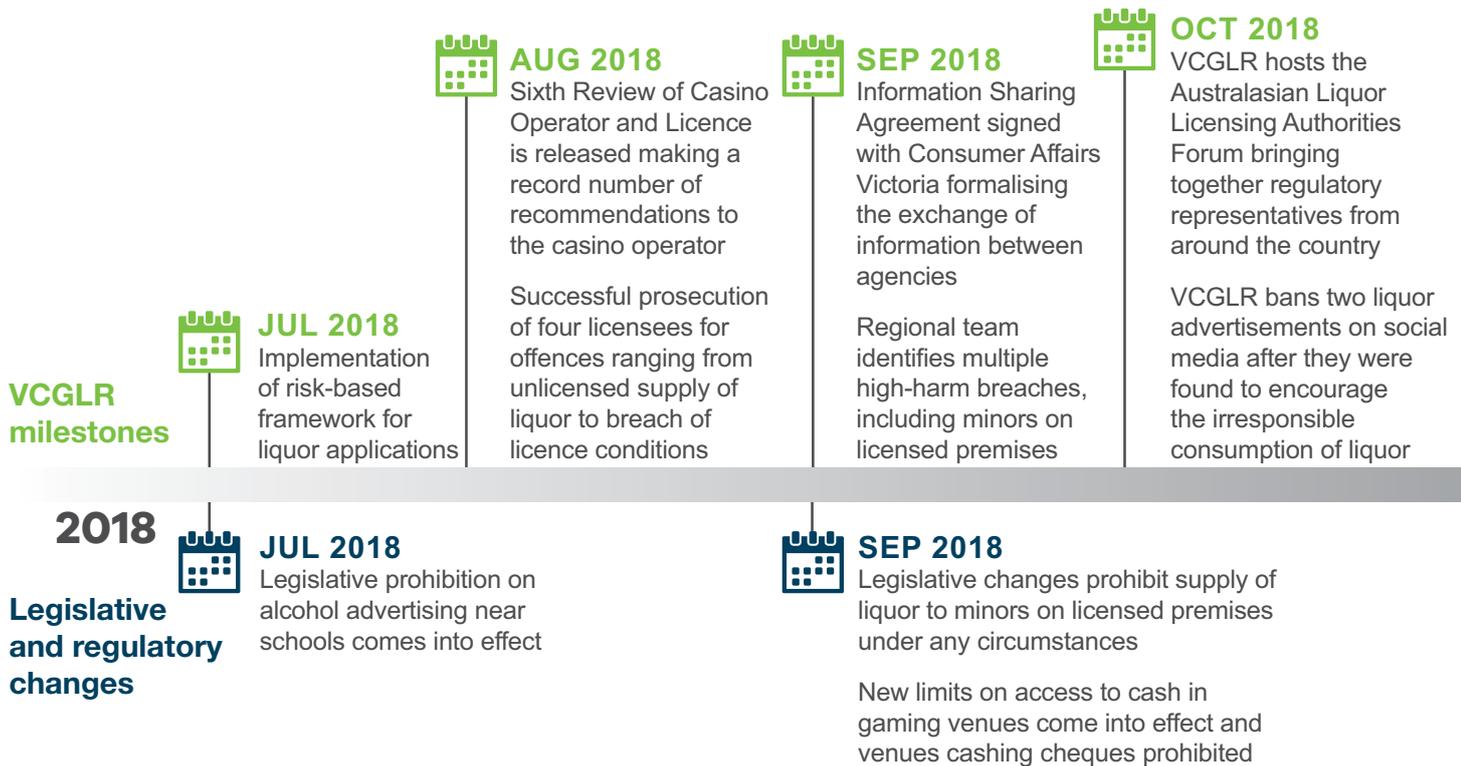
In 2018–19, the VCGLR invested significant resources into monitoring and compliance activities across the events, including 12 inspectors from three regulatory teams and the high-risk liquor team to attend the carnival across different days and venues.

The operation ensured a high level of compliance including a greater understanding by Tabcorp and security staff of licensing and RSA obligations including checking patrons for ID as well as best practice procedures such as assessing patrons who look under the age of 25.

# Report of Operations

## MILESTONES

Key VCGLR milestones and external influences on operations throughout 2018-19





### NOV 2018

Joint Enforcement Strategy signed between VCGLR and Victoria Police



### DEC 2018

VCGLR begins automated process of serving liquor licensing applications to Victoria Police



### FEB 2019

VCGLR wins Institute of Public Administration Australia (IPAA) Innovative Regulation award for the HiVE tool

Industry consultation informs the development of new optional signage for liquor licensees



### MAR 2019

VCGLR issues direction to Crown Melbourne Ltd to prohibit the supply of button picks and prevent their use at the Melbourne casino



### APR 2019

Regional offices mark one year of operations



### MAY 2019

New Responsible Service of Alcohol refresher website is launched



### JUN 2019

Total online forms reaches 28, accounting for around 80 per cent of applications lodged with the VCGLR

## 2019



### JAN 2019

Point-of-consumption tax comes into effect replacing wagering and betting tax structures



### MAY 2019

Online gambling restrictions come into effect placing strict requirements on betting account deposit limits, marketing and inducements

# Measuring performance

The VCGLR's Corporate Plan 2017–20 measures the organisation's success through key performance indicators (KPIs) with three-year achievement targets focused on three priorities:

- **modernising** our regulatory tools and practice
- providing a **collaborative** and unified environment
- increasing strategic **influence** to improve outcomes.

## Modernise

A number of successful actions have been taken during 2018–19 to modernise our regulatory approach. These include:

### STRENGTHENING TECHNOLOGY AND DIGITAL SERVICES

In 2018–19, the VCGLR continued to improve the efficiency of internal processes and service provision through the increased use of digital technology.

#### *Online forms*

Three of the VCGLR's high-volume hard copy forms transitioned online. These forms represent more than 800 applications per year relating to new restaurant and cafe licences, and declaration or renewal of declaration as a community and charitable organisation.

Online forms allow applicants to upload documents and save answers at various stages through the application process. The intuitive design also targets relevant sections and questions to individual applicants. Once submitted, applications are directly uploaded into the licensing system, queued and actioned according to the date received reducing manual data entry time.

#### *New RSA refresher site*

The Responsible Service of Alcohol (RSA) refresher course was updated to a new online platform providing a modern look and feel that is easier to navigate for visitors. The new site is now compatible with all browser types, addressing what was a common cause of frustration with users. The RSA refresher is one of the most frequently visited websites hosted by the VCGLR so these improvements will have a significant impact on the thousands of hospitality employees interacting with it.

#### *Improved digital tools*

An interactive licence-selector tool now allows potential licensees to get more targeted and relevant information about what type of licence best suits their circumstances. Website enhancements – such as a feedback mechanism implemented this year – allow users to provide information on how the site is performing and whether it is meeting their needs.

A broad program of digital and ICT security improvements has been implemented following a review of the VCGLR's cyber security environment. Additionally, the implementation of Mobile Device Management now means the VCGLR's mobile devices are more secure and easier to track.

### FOCUS ON HARM REDUCTION

This year the VCGLR focused on increasing inspections at high-risk venues during high-risk times and taking appropriate enforcement action where breaches were identified. This targeted approach was shaped by the strategic use of intelligence, decision-making frameworks and governance structures, as well as innovative digital assets such as the HiVE risk prioritisation tool. The Tasking and Co-ordination Committee has been integral to this, enabling the organisation to target resources where the data and analysis show the highest need.

The Committee is chaired by the Deputy Director, Compliance and consists of the Compliance Intelligence team, Compliance managers and team leaders. The Intelligence team provides the committee with current and emerging issues according to intelligence received and the team leaders propose operations for committee approval.

#### *High risk inspections*

High-risk times are between the hours of 10pm and 7am or during designated high-risk events. In 2018–19, more than 18 per cent of all liquor inspections were conducted during high-risk times, up from the previous year's figure of 13.7 per cent and enabling the VCGLR to increase its ability to ensure compliance and detect and reduce harm.

Of the breaches detected through this targeted approach at venues that pose a greater risk, more than 82 per cent were high-harm breaches including licence condition breaches and offences such as the supplying of liquor to intoxicated persons, permitting a drunken or disorderly person on licensed premises, supplying or permitting liquor to be supplied to a person under 18 and permitting a person under 18 on licensed premises.

### **Breach-to-enforcement ratio**

The proportion of breaches that result in enforcement action (including letter of censure, disciplinary action or prosecution) is measured by the breach-to-enforcement ratio. During 2018–19, this ratio sat at 92 per cent, reflecting an increase from 74 per cent and 88 per cent from the previous two years. These results reflect a range of breaches relating to casino activities and administration and high-harm breaches across gambling and liquor activities.

### **Regional presence**

The VCGLR's regional hubs were established in April 2018 and have proven highly effective in contributing to safer gambling and liquor industries in Victoria's regional areas. Evidence of this is not only in the increase in operations in regional Victoria but importantly, an increase in the detection of high-harm offences in these areas. The regional teams, based in Ararat and Sale, have led operations resulting in the identification of numerous breaches including high-harm offences such as minors on licensed premises being supplied with and consuming liquor, drunken persons being permitted on licensed premises, the supply of liquor to intoxicated patrons, unlicensed venues, electronic gaming-machine related issues – including financial discrepancies – and regional bookmakers not complying with their Code of Conduct. This year the regional teams conducted a total of 1521 inspections with more than 15 per cent of these inspections conducted at high-risk times.

Regional hubs in Ararat and Sale enabled the VCGLR to conduct 1366 liquor inspections and 155 gambling inspections in regional areas.

### **RISK-BASED APPROACH**

The VCGLR continues to implement a risk-based approach to regulation. It remains focused on the development and implementation of risk-assessment tools such as the HiVE, and decision-making processes to deliver accurate and objective risk assessments. These tools and processes are designed to enhance the VCGLR's capacity to make better decisions about the regulation and supervision of high-risk licensed premises, ensure that staff have visibility of the risk profile of an application or a licensee and, as a result, apply the right level of due diligence to assessing such applications or conducting compliance activities.

The Risk-based Gambling Framework, developed this year, is a tool used in the assessment and determination of gambling-related licensing applications. The framework applies to nearly all gambling applications where suitability is assessed. The framework provides Licensing delegates with an application's risk rating based on the offence history, regulatory history, financial matters and legal action in respect of the applicant. This helps delegates to identify areas for further investigation, ensuring the VCGLR is fulfilling its role as a risk-based regulator and ensuring the gambling industry is free from criminal influence and exploitation.

In 2018–19, the VCGLR also developed an evaluation framework to facilitate how we measure the effectiveness of tools and processes and, in turn, ensure that the VCGLR's risk-based approach continues to evolve.

### **PROCESS IMPROVEMENT**

The VCGLR reviewed its forms relating to gaming premises approvals, variations and the economic and social impact of Electronic Gaming Machine (EGM) decisions. The review was designed to ensure the information sought from parties to hearings is consistent with the factors considered by the Commission and ensure the information provided is relevant to the test the Commission must apply. The review led to the development of new forms in consultation with a broad range of stakeholders from local government, community and industry including the Victorian Local Governance Association, the Municipal Association of Victoria, Community Clubs Victoria, the Law Institute of Victoria, the Australian Hotels Association, RSL Victoria, Community Clubs Victoria and the Victorian Responsible Gambling Foundation.

#### ***Automatic serving of liquor licensing applications to Victoria Police***

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This year the VCGLR has successfully automated the process for serving liquor licensing applications to Victoria Police. An enhancement of the VCGLR's licensing system, the new automatic serving sends applications directly to the relevant local Victoria Police area responsible for assessing risk and harm. It automates the process for the VCGLR to receive Victoria Police's responses to applications, making the end-to-end process easier and more efficient.

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# Collaborate

Providing a collaborative and unified environment in which to achieve best practice is a constant aim of the VCGLR. Ways we achieved that in 2018–19 include:

## ***Working with partners***

The VCGLR continues to work closely and collaboratively with its co-regulators, law enforcement agencies, peak bodies and other stakeholders. Joint operations that assist in identifying high-harm offences are an important aspect of this collaborative approach. This year the VCGLR met its target of joint operations by conducting 20 operations with Victoria Police, including at major events such as the Australian Grand Prix. Other joint operations included regional AFL games, Oktoberfest, and operations targeting particular venues, local government areas (LGAs) and locations identified as at high risk of harm.

In November, the VCGLR signed a Joint Enforcement Strategy with Victoria Police. The strategy outlines a unified approach to the enforcement of the *Liquor Control Reform Act 1998*, ensuring consistency across both agencies. It focuses on the two agencies working together more effectively by increasing access to intelligence and data, joint messaging, appropriate tasking and co-ordination, and undertaking successful joint operations.

An important aspect of working with other regulators is having appropriate arrangements in place to share data. This year the VCGLR signed an information sharing agreement with Consumer Affairs Victoria to facilitate the sharing of information to assist in investigations.

## ***Collaboration in action***

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The Gambling Products Working Group brings together a range of stakeholders to work collaboratively to consider emerging issues and share information and perspectives on a regular basis.

This year the group, which is comprised of the VCGLR, the Department of Justice and Community Safety and the Victorian Responsible Gambling Foundation, considered responsible gambling research, new products and innovations, the suitability of VCGLR standards and other regulatory considerations and concerns. It also considered skill-based gaming machines, new games and bet types, interactive gaming, cashless gaming, and many more innovations and proposals presented by licensees and others.

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## ***Post 2022 gaming machine entitlements***

The VCGLR worked with the Department of Justice and Community Safety this year to facilitate the allocation of gaming machine entitlements for post August 2022. A VCGLR subject matter expert was seconded to the Department to assist with the process and the VCGLR supplied information to the Department to enable calculation of pricing and offers to venue operators that held entitlements as at July 2017. Initial deposit payments for bids were made to the VCGLR and refunds were processed where required. The VCGLR's systems were also updated to reflect legislative requirements including a public register of the allocation, and updates to the venue operator portal to allow operators to view their allocation and entitlement information.

## **Engagement through education**

The VCGLR's Education Strategy articulates our strategic approach to voluntary compliance through education.

The education approach also ensures we are building the capability of licensees and stakeholders across the gambling and liquor industries and community groups.

The objectives of the Education Strategy include changing licensee behaviour, reducing harms and increasing voluntary compliance.

Guided by these objectives, the VCGLR implements targeted education campaigns using a range of tools and resources. In 2018–19, the education team conducted campaigns focused on sporting clubs and tertiary education 'O Week' as well as continuing the Street Talk program that takes education officers to the streets to talk with licensees on a range of issues including specific licence conditions, RSA requirements, red line plans, minors and any recent changes to the legislation.

### **Kicking goals with sporting clubs**

The VCGLR delivered its first Sporting Clubs campaign throughout 2018-2019 with a focus on cricket and football. The campaign was designed to assist clubs become 'liquor licence ready' and provide information about regulations when it comes to common club fundraising activities such as raffles. With the support of Good Sports, Community Clubs Victoria, AFL Victoria, Football Victoria and Cricket Victoria as well as many local councils, the campaign was wide reaching.

Feedback from participants indicated that they had a better understanding of their liquor licensing requirements and that the presentations by the VCGLR were worthwhile and relevant to their club.

*"I believe the clubs have more of an understanding of their liquor licensing issues"*

*Council participant in sporting clubs campaign*

The VCGLR education team has also worked to educate the following:

- Chinese and Vietnamese business associations in collaboration with Small Business Victoria
- event and trade show organisers, exhibitors and attendees such as the Drinks Collective trade show, Beer InCider at the Melbourne Showgrounds and Winter Blues Festival in Echuca, proactively engaging stakeholders to ensure compliance at these events
- new Licensees through the street talk program. This group was also supported through a dedicated page on the VCGLR's website and calendar of key dates and obligations. New licensees also receive a welcome email with links to information sheets and VCGLR contacts
- Schoolies Week Interagency Steering Committee (SWISC) where the VCGLR provided input to planning for School Leaver's activities.

The VCGLR is responsive to feedback from licensees in the development of new resources. In February 2019, three new optional signs for licensed premises were released to help licensees and their staff explain to patrons the laws around minors drinking on licensed premises and the purchase of liquor for minors. An industry survey informed the topics to ensure the signs best meet the needs of those working in licensed premises.

The VCGLR is committed to ensuring our information is accessible to licensees and communities from culturally diverse backgrounds. The VCGLR has a dedicated 'Other languages' web page with more than 17 documents translated into Chinese and Vietnamese in response to data from VCGLR client services and engagement by the Education team.

### **Getting ready for the Winter Blues Festival in Echuca**

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The Winter Blues Festival is held each year across venues in Echuca marking a big four days for licensees, tourists and locals. Following last year's festival where there was some confusion around licence conditions and obligations in relation to live music, the VCGLR worked with festival organisers to improve awareness and compliance.

At the invitation of organisers, the VCGLR visited Echuca ahead of the event to present at a stakeholder forum which provided an opportunity to meet with the event organisers, licensees, the local council and Victoria Police to discuss licensing requirements as well as topics such as minors, intoxication and how to run safe functions. Following the forum, VCGLR staff visited venues in Echuca to answer questions about specific licence conditions and red line plans.

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### **Learning and development**

The VCGLR continues to focus on supporting, developing and guiding staff. A new Fraud and Corruption e-learn module was launched this year to strengthen the organisation's safeguards against misconduct. As part of a Victorian Public Service (VPS) wide initiative, the VCGLR adopted several new common VPS policies to ensure consistency with best practice.

The executive management team undertook a leadership program designed to identify individual development opportunities and enhance the culture and performance of our most senior leaders. The program supports the VCGLR's investment in its leaders to effectively drive the the strategic direction of the organisation.



# Influence

**Increasing strategic influence helps the VCGLR to improve outcomes. In 2018-19, a range of approaches enhanced our ability to influence:**

## ***Knowledge exchange***

This year provided several opportunities for the organisation to increase its strategic influence by sharing knowledge and experience with industry and stakeholders.

In October, the VCGLR hosted the Australasian Liquor Licensing Authorities Forum, bringing together regulators from across the country to hear from experts from the research, government and industry sectors. The VCGLR has attended and participated in diverse forums and events across government and industry, including hosting a forum for other Victorian regulators, presentations at Australian and New Zealand School of Government (ANZSOG) Regulators Community of Practice events, attending the Australasian Casino and Gambling Regulators Conference and presenting at industry conferences such as the Australasian Gaming Expo.

The VCGLR launched three new videos to help explain what the VCGLR does, how it does it and why. Featuring interviews with staff and Commissioners, the videos explain the journey of the organisation from establishment through to the development of the regulatory approach and describe how today's organisation uses modern and innovative tools to achieve positive outcomes. The videos have provided a new opportunity to explain the purpose of the VCGLR to the community, licensees and stakeholders and to articulate the significant enhancements we have made to activities designed to minimise harm.

The VCGLR continued to work closely with the Department of Justice and Community Safety (DJCS) and the Victorian Responsible Gambling Foundation (VRGF) in a range of areas this year including reviewing Responsible Service of Gaming (RSG) training for venues and for 'special employees' at the Melbourne casino, reviewing Electronic Gaming Machine (EGM) forms and refining the assessment process for new gaming products.

## ***Award winning innovation***

Use of the HiVE, the VCGLR's digital risk prioritisation tool, continued to assist the organisation to assess risk and where to target activities and resources. This has not only led to an increase in inspection rates at high-risk times, but also allowed the organisation to better direct resources to priority venues.

The impact of the HiVE tool on our risk assessments was formally recognised with the VCGLR winning the innovative regulation category at the 2018 Institute of Public Administration Australia (IPAA) Victoria Leadership in the Public Sector Awards.

## **INDUSTRY TRAINING**

Training is a key component of the way in which the VCGLR supports voluntary compliance and reduces the risk of harm to the community. Training is a requirement for those working in the liquor industry and those who work in late-night venues and can also assist the VCGLR to determine that a new licensee has adequate knowledge of the law. Training is also a tool used for those who incur demerit points.

Registered Training Organisations (RTOs) and trainers deliver the training and are accredited by the VCGLR to ensure it is delivered to agreed high standards across Victoria.

### ***Responsible Service of Alcohol***

Responsible Service of Alcohol (RSA) training is mandatory for all 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 VCGLR accredits RTOs to deliver face-to-face RSA training for participants to gain the skills and knowledge necessary to contribute to a safe, enjoyable environment in licensed premises. During the last year, 86,540 students completed the RSA program with 112 RTOs accredited by the VCGLR to deliver the RSA program.<sup>1</sup>

1. All training figures are as reported on 3 July 2019

Training in RSA must be refreshed every three years by completing an online refresher course. The aim of the refresher is to keep skills current and to inform participants of any legislative changes. During the past year 43,823 participants have undertaken the free online refresher course via the VCGLR website.

### **Train the Trainer**

The VCGLR delivers the RSA ‘Train the Trainer’ course to provide RSA trainers with an understanding of the legislation, skills and knowledge required to present the RSA course. This year, 33 new trainers were awarded an RSA ‘Train the Trainer’ certificate.

### **Advanced Responsible Service of Alcohol**

The Advanced Responsible Service of Alcohol (Advanced RSA) course is designed for licensees, managers and staff of late-night venues, who generally face different challenges and issues. There have been 108 participants in Advanced RSA during 2018–19. Licensees who have received a demerit point due to non-compliance are also required to undergo Advanced RSA training. Launched in 2014, Advanced RSA was developed in partnership with the William Angliss Institute that delivered the course on nine occasions this year.

### **New Entrant Training**

New Entrant Training (NET) teaches liquor licence applicants and transferees the requirements of – and their obligations under – the *Liquor Control Reform Act 1998* prior to being granted a licence or becoming a nominee. This includes one NET course specifically for club licensees that helps sporting and community clubs manage the service of alcohol responsibly and reduce alcohol-related harm. It is a requirement for all new licensees to complete a VCGLR-recognised NET course. These courses were delivered by RTOs to 3,193 participants over the last year.

**Table 1 - Training participant numbers for 2018-19**

Course activity	Number of participants 2018-19 (as of 3 July 2019)
Responsible Service of Alcohol	86,540
Responsible Service of Alcohol online refresher	43,823
Train-the-trainer program	33
New Entrant Training	2,844
Clubs Seminar program	349
Advanced RSA program	108

## **BUILDING NETWORKS**

Maintaining relationships and building networks is key to the VCGLR retaining influence, updating industry and improving voluntary compliance. These approaches helped us to do that in 2018-19:

### **Liquor Forums and Accords**

There are more than 85 liquor forums across Victoria, 65 of which are currently active and hold regular meetings. Forums work to:

- improve the operation of licensed premises
- reduce alcohol and gambling-related harm and issues
- positively contribute to the local community.

The VCGLR provides support and guidance to forums by publicising meeting dates and local forum contacts, and through a monthly forum bulletin with legislative updates, industry news and reminders. This year four forums sought assistance from the VCGLR to be reactivated and VCGLR staff attended 90 forum events – 42 in metropolitan Melbourne and 48 in regional Victoria.

Forums may be formalised with the establishment of a liquor accord – a written document that sets out specific aims, actions, objectives and strategies to address local alcohol-related problems. Each accord is approved by the VCGLR and Victoria Police. There are currently 60 approved accords, seven of which were revised and re-submitted to the VCGLR for approval this year.

### **Community Stakeholder Forums**

Community Stakeholder Forums provide engagement and knowledge exchange opportunities between community organisations and the VCGLR. Chaired by Deputy Chairs of the Commission, the forums are attended by community organisations invited by the CEO. They provide an opportunity for the VCGLR to learn from community stakeholders about gambling and liquor issues that are important to them. Held twice a year in October and May, attendees share information about projects and initiatives, and hear from guest speakers. The VCGLR showcased some of its key initiatives at the forums held in May in response to attendees’ feedback.

## Delivering outcomes

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

In 2018–19 a new BP3 measure was introduced to capture the VCGLR's risk-based compliance activities by measuring the percentage of inspections undertaken at high-risk times. The VCGLR conducted more than 18 per cent of inspections at high-risk times, exceeding the target of 12 per cent set in the BP3. This can be attributed to the successful implementation of several initiatives including the Compliance division change program, establishment of regional hubs in Sale and Ararat, successful application of the HiVE tool and rostering refinements that have allowed for more targeted deployment of resources to high-risk areas.

Improved intelligence and analytical capability also contributed to targets for inspections completed in both metropolitan and regional areas being exceeded.

The VCGLR exceeded the target of gambling and liquor approvals, licence, permit applications and variations completed within a set time, consistent with outcomes reported in 2017–18 and achieved through improved accessibility and efficiency for users seeking, and those processing, online forms.

In relation to gambling and liquor applications and licensee monitoring activities, this year's delivery of a 15 per cent increase on the target can be attributed to an increased demand for Proof of Age Cards (an increase of 6.6 per cent from 2017–18) as well as a higher number of gaming equipment approvals.

In 2018–19, the VCGLR answered 75 per cent of its 64,082 incoming calls within 60 seconds, below the target of 80 per cent. This outcome reflects periods during the year where the volume of calls exceeded capacity. VCGLR staff responsible for answering calls also provide face-to-face services at the VCGLR reception and respond to email enquiries which this year have been higher than forecast. Gambling and liquor licence client satisfaction was recorded at 77 per cent, three per cent short of the target.

The VCGLR conducted an extensive stakeholder satisfaction survey in 2018–19 using an independent, external researcher. The online and independent methodology applied allows for reduced survey bias compared to previously conducted telephone surveys and this new process, while thorough, likely impacted the overall satisfaction result. This large-scale survey is conducted around every three years with interim surveys conducted in between.

The survey indicates that overall, respondents had a very high level of awareness of the VCGLR's broad roles and regulatory objectives. Results for metropolitan and regional stakeholders were largely consistent, and regional respondents generally reported strong satisfaction levels regarding the VCGLR's inspection activities. Satisfaction with the overall licensing process was high and just over half of all licensees reported they had been visited by a VCGLR Compliance Inspector in the last 12 months. Overall satisfaction with inspections was very high.

The VCGLR welcomes feedback at any time via our client services team and interactive website.

## MEETING OUR PERFORMANCE MEASURES

The VCGLR aims to meet or exceed the performance measures set out in the BP3 each year.

**Table 2 – VCGLR BP3 outputs for 2018–19**

Performance Measures	Unit of measure	Annual Target	2018-19 Target	2018-19 Actual	Variance %
<b>Quantity</b>					
Gambling and liquor applications and licensee monitoring activities (VCGLR)	number	50 000	50 000	57 492	15.0
Gambling and liquor information and advice (VCGLR)	number	128 000	128 000	129 890	1.5
Gambling and liquor inspections completed by the VCGLR – metropolitan	number	10 000	10 000	11 243	12.4
Gambling and liquor inspections completed by the VCGLR – regional	number	2 000	2 000	2 295	14.8
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated	number	20	20	20	0
Gambling and liquor inspections conducted at high risk times	per cent	12	12	18.69	56
<b>Timeliness</b>					
Calls to VCGLR client services answered within 60 seconds	per cent	80	80	75	(-6.3)
Gambling and liquor approvals, licence, permit applications and variations completed within set time (VCGLR)	per cent	85	85	95	11.8
<b>Quality</b>					
Gambling and liquor licensing client satisfaction (VCGLR)	per cent	80	80	77	(-3.8)

## APPLICATION DETERMINATION TIMES

The VCGLR aims to determine 80 per cent of gambling and liquor approvals and licence and permit applications within set times frames. In 2018–19 the VCGLR exceeded this measure.

**Table 3 – VCGLR licensing outputs for 2015-16, 2016-17, 2017-18 & 2018-19**

Performance Measures	Target (%)	Target achieved 2015-16 (%)	Target achieved 2016-17 (%)	Target achieved 2017-18 (%)	Target achieved 2018-19 (%)
Gambling and liquor approvals, licence and permit applications and variations determined by VCGLR within set times	80	94.2	94.3	94.2	94.9
Licensing activity	Set time (days)	Target achieved (%)	Target achieved (%)	Target achieved (%)	Target achieved (%)
Venue operator's licence	115	90	95.2	98.3	98.3
Minor gaming permit	5	79.1	71.9	64.8	73.5
Gaming industry employee and casino employee licence	11	91.2	92.9	90.5	92.1
Declaration as community or charitable organisation	21	88.6	84.1	81.3	80.8
Application for permanent liquor licence	77	96.6	96.4	96.7	97.0
Application for a BYO permit	46	82.5	85.7	90.7	93.5

## COMMISSION MEETINGS, INQUIRIES AND HEARINGS

This year the Commission determined 59 matters. This is a slight decrease compared to 2017–18.

**Table 4 - Commission meetings, inquiries and hearings 2018–19**

Inquiries	Received	Hearings <sup>[1]</sup>	Matters Determined <sup>[2]</sup>
Gaming – new premises	1	0	0
Gaming – electronic gaming machine increase	7	11	10
Gaming – appeal against refusal to grant a gaming licence	0	1	1
Gaming – appeal against refusal to renew community/charitable organisation declaration	0	0	1
Gaming – appeal against self-exclusion order	12	8	10
Gaming – extension of time to complete works	1	0	1
Gaming – disciplinary action	0	0	0
Liquor – contested application	0	0	0
Liquor – internal review	41	26	31
Liquor – section 91 disciplinary action	1	2	0
Liquor – section 94 amenity inquiry	0	0	0
Liquor - application to revoke barring order	1	0	1
Major licensee – disciplinary action	2	0	4
<b>Total 2018-19</b>	<b>65</b>	<b>48</b>	<b>59</b>
<b>Total 2017-18</b>	<b>85</b>	<b>53</b>	<b>66</b>
Single Commissioner decision under delegation	15		
<b>Meetings</b>			
Regular	12		
Special	2		
<b>Total 2018-19</b>	<b>14</b>		
<b>Total 2017-18</b>	<b>14</b>		

[1] Private and Public Hearings, Direction Hearings and Preliminary Conferences

[2] Not all applications which require hearings and inquiries are necessarily determined in the same financial year as they are received

The Commission also held various committee meetings throughout the year. The Audit and Risk Management Committee is chaired independently by David Boymal AM, while the other committees are chaired by a Deputy Chairperson of the Commission, the operation of these committees ensures appropriate oversight and governance of critical areas of the organisation's operations. Appendix 8 contains further details of each committee.

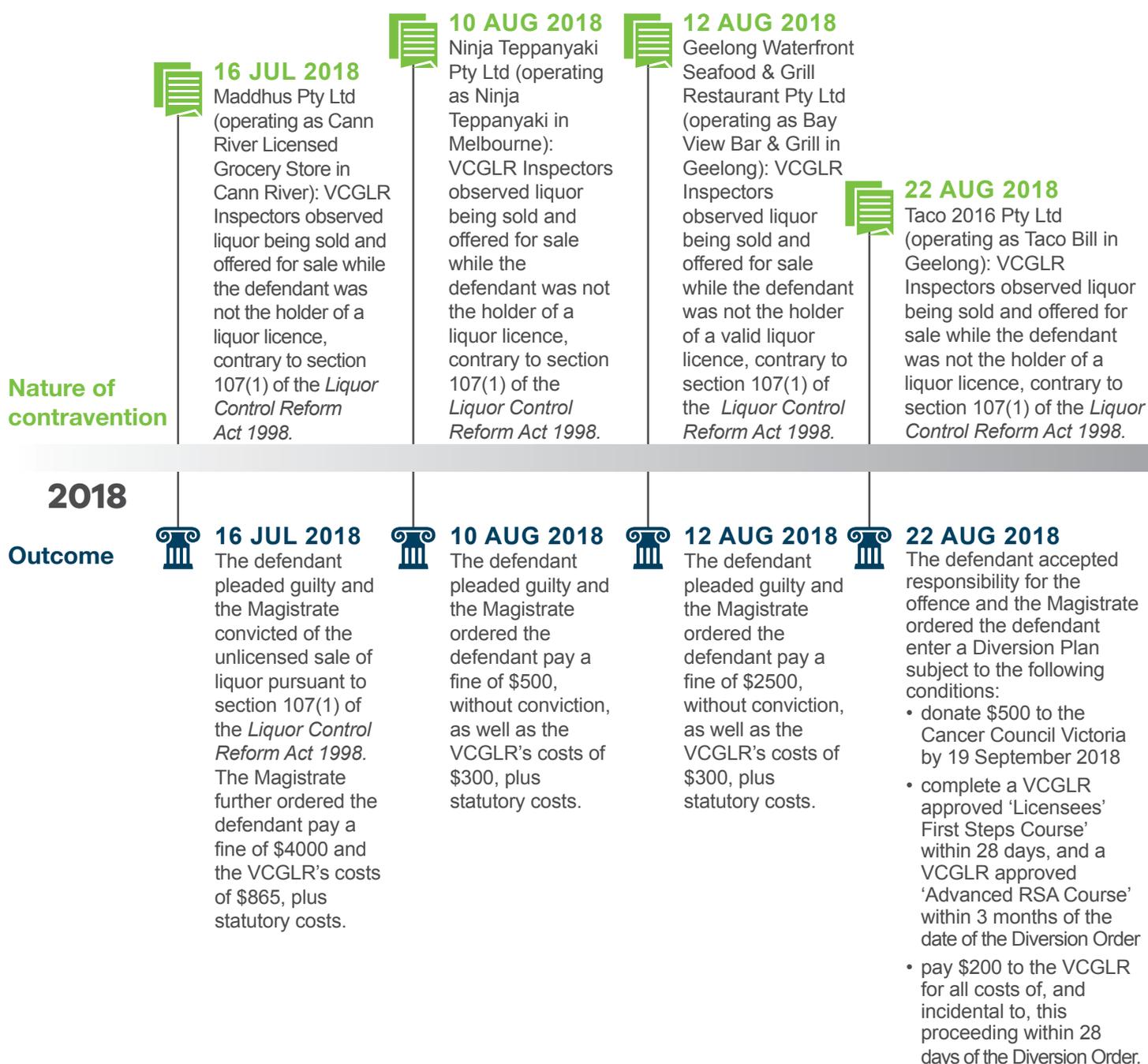
**Table 5 – Commission committee meetings**

Commission Committee	Number of meetings
Audit and Risk Management Committee	5
People and Culture Committee	3
Legislation, Regulation and Policy Committee	6
<b>Total</b>	<b>14</b>

## Enforcement outcomes

The VCGLR has a range of sanctions available where breaches of gambling and liquor legislation or regulations occur. Enforcement activity can range from warnings and risk management discussions to prosecution or disciplinary action. The appropriate enforcement action is determined in accordance with the VCGLR's regulatory approach and a range of factors are considered, such as severity of the breach, the harm to the community and any history of non-compliance.

This year the VCGLR successfully prosecuted eight entities for contravening gambling and liquor legislation.



**26 NOV 2018**

Regal Court Pty Ltd (operating as Union Hotel in Windsor): VCGLR inspectors observed a breach of the licence condition requiring the licensee to maintain a surveillance recording system able to clearly identify individuals, and provide continuous images of all entrances and exits, bars and entertainment/dance floor areas when live or recorded amplified music other than background music was provided.

**7 FEB 2019**

Individual bookmaker: VCGLR inspectors observed a registered bookmaker allowing a minor to gamble, contrary to section 10.7.3(3) of the *Gambling Regulation Act 2003*.

**6 JUN 2019**

Kelyon Pty Ltd (operating as Monkey Bean in Toorak): VCGLR inspectors observed liquor being offered for sale while the defendant was not the holder of a valid liquor licence, contrary to section 107(1) of the *Liquor Control Reform Act 1998*.

**27 JUN 2019**

Individual restaurateur: VCGLR Inspectors observed liquor sold and offered for sale (on two separate dates) while the defendant was not the holder of a liquor licence, contrary to section 107(1) of the *Liquor Control Reform Act 1998* (The Act) and falsely indicating the venue as licensed premises contrary to section 116(a) of the Act.

**2019**

**26 NOV 2018**

The defendant pleaded guilty and the Judicial Registrar ordered the defendant pay a fine of \$600, without conviction, as well as the VCGLR's costs of \$300.

**7 FEB 2019**

Magistrate found the defendant guilty and adjourned the matter on good behaviour for 12 months, without conviction, and ordered the bookmaker to pay the VCGLR's costs of \$324.30.

**6 JUN 2019**

The defendant pleaded guilty and the Magistrate adjourned the matter on good behaviour for 12 months, without conviction, and ordered the defendant to pay \$1000 to the court fund.

**27 JUN 2019**

The defendant pleaded guilty and the Magistrate ordered the defendant to pay an aggregate fine of \$2000, without conviction, as well as the VCGLR's costs of \$500.

## Enforcement outcomes (cont.)

Disciplinary action was carried out against three major gambling licensees.

### **Tabcorp**

The VCGLR took disciplinary action against Tabcorp Wagering (VIC) Pty Ltd (Tabcorp) for deducting incorrect commission rates on international totalisator events in 28 instances between December 2016 and 10 February 2018.

The Commission determined that Tabcorp had breached the betting rules by applying the incorrect commission rate to the bets mentioned above, meaning it obtained \$5,280.01 in excess of what was permitted as a commission by the betting rules. The Commission was satisfied that this amounted to a ground for disciplinary action under subsection 4.3A.26(d)(ii) of the *Gambling Regulation Act 2003 (the GR Act)*.

On 1 November 2018, the Commission issued a letter of censure to Tabcorp and fined it \$30,000 and required the return of the \$5,280.01 obtained in breach to investors (generally) by directing Tabcorp to include this amount in future jackpot prizes for similar betting events, in accordance with section 4.3A.27(5) of the GR Act and Rule 3.10 of the Victorian Totalisator Betting Rules (Racing).

### **Intralot**

The VCGLR took disciplinary action against Intralot Gaming Services Pty Ltd (Intralot) for non-compliance with the Monitoring Licence Related Agreement (the Agreement).

This disciplinary action related to a significant network outage from 16 March 2018 where many gaming machines were inoperable across the state which resulted in Intralot contravening a provision of the Agreement that requires it to ensure that the monitoring system is operational and continuously available to all available machines. The Commission also found that Intralot contravened a provision of the Agreement by failing to immediately notify the VCGLR of the occurrence of a 'significant event' as required.

The Commission issued a letter of censure directing Intralot to confirm that the process for renewal of security certificates (a cause of the outage) had been updated and to confirm its process for, and frequency of, reviewing the documentation in order to keep communication and business continuity plans up to date. A response to directions in the letter of censure was submitted by Intralot on 8 April 2019 and the Commission was satisfied Intralot had adequately complied with the letter of censure.

### **Crown Melbourne Limited**

The VCGLR took disciplinary action against the Melbourne casino licensee, Crown Melbourne Limited (Crown), for breaches in relation to junket operators.

The Commission was satisfied that a ground for disciplinary action was established on the basis that Crown failed to notify the VCGLR of a new non-resident junket operator on three occasions during 2017 and 2018, as required by the Junket and Premium Player Program Internal Control Statement (the Statement). This failure constituted a contravention of section 121(4) of the *Casino Control Act 1991* that requires Crown to ensure that the systems approved under the Statement are implemented.

The Commission imposed a fine of \$25,000 on Crown, having considered the nature, extent and seriousness of the contravention, Crown's past compliance history and general and specific deterrence, balanced against the level of co-operation, remorse, contrition and corrective action taken by Crown in response to this matter.

Disciplinary action was commenced against one liquor licensee.

### **Eildon Resort**

The VCGLR took disciplinary action against Eildon Resort Pty. Ltd. in relation to the suitability of the licensee to hold a liquor licence.

The disciplinary action related to the licensee's suitability to hold a liquor licence. The Commission commenced a disciplinary action inquiry against Eildon Resort Pty Ltd. After being served with a disciplinary action notice, the licensee decided to surrender its liquor licence to the Commission, meaning the company no longer held the licence, was no longer a licensee, and could not supply liquor at the premises. Given these circumstances, the Commission no longer had jurisdiction to continue its inquiry.

## CROWN CHINA INVESTIGATION

In 2017, the VCGLR commenced an investigation under the *Casino Control Act 1991*, the *Gambling Regulation Act 2003* and the *Victorian Commission for Gambling and Liquor Regulation Act 2011*, to assess the circumstances leading up to the detention and subsequent imprisonment of 19 Crown Melbourne Limited (Crown) staff in China in October 2016.

Due to the nature and complexity of the investigation, the VCGLR has sought internal and external legal advice, including advice from Senior Counsel, in relation to the Commission's investigative powers, processes and method.

The VCGLR's in-depth investigation to date has involved issuing statutory demands for information and documents from the casino operator, collecting and analysing a broad range of evidence, conducting interviews with key current and former Crown senior executives and staff (both in Australia and internationally), seeking information from other national and international casino operators, regulators and law enforcement agencies, reviewing open source materials, analysing relevant regulatory requirements and obtaining independent translations of key documents.

The VCGLR had intended to complete its investigation and include the outcomes in the findings, analysis and recommendations of the Sixth Casino Review, released in June 2018. However, this was precluded by the timing of document disclosures and the possibility of further disclosures. The VCGLR's investigation into the matter remains incomplete due, in part, to continuing documentary disclosures by Crown as well as considering allegations reported by the media relating to the issue.

## CURRENT STATUS-ADDENDUM TO 30 JUNE REPORT

In July 2019, a series of media reports were published into the Melbourne casino licensee, Crown, relating to junket operators, money laundering and the circumstances surrounding the detention and imprisonment of Crown staff in China.

In response to the media reports and a subsequent announcement by the Minister for Consumer Affairs, Gaming and Liquor Regulation, the VCGLR committed to re-examining issues relating to Crown.

The VCGLR is currently assessing whether any information discussed in those media reports is relevant or otherwise impacts the VCGLR's existing and ongoing investigation. The investigation remains ongoing while the VCGLR endeavours to collect any additional relevant information and evidence. When the VCGLR has collected all relevant evidence it can, it will conclude its investigation and determine what regulatory action is appropriate in the circumstances.



# Sixth Review of the Casino Operator and Licence

The VCGLR delivered the *Sixth Review of the Casino Operator and Licence* (the Review) in July 2018. The review, which is conducted every five years, is part of the VCGLR's ongoing regulatory oversight of the Melbourne casino. The key purpose of the review is to investigate the casino operator's suitability in accordance with section 25 of the *Casino Control Act* and provide a report to the Minister. The Review made 20 recommendations, each with a due date for completion, to ensure Crown adheres to best practice in the following areas:

- corporate governance and risk (three recommendations)
- regulatory compliance (two recommendations)
- responsible gambling (11 recommendations)
- money laundering (one recommendation)
- applications for approval (one recommendation)
- integrity exclusion orders (one recommendation)
- review of implementation of recommendations (one recommendation).

Details relating to each of these recommendations (and the respective due dates) are outlined in the [Sixth Review of the Casino Operator and Licence June 2018](#).

Crown has responded to the recommendations, making submissions by the due dates specified in the Review – 1 January 2019 and 1 July 2019. As in previous Casino Reviews, and with all recommendations, the Commission will determine whether it is satisfied with Crown's response to each recommendation. It is now assessing the submissions received by 1 July 2019 and will continue to monitor Crown's progress in implementing all recommendations.

The VCGLR will continue to report on this progress through regular updates on its website and in future annual reports.

## ***Setting expectations of responsible gambling***

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In March, the Commission directed the Melbourne casino to stop issuing patrons with picks that were being used to hold down buttons on electronic gaming machines. This directive followed a complaint about their supply and use at the casino.

Button picks were devices that allowed patrons to engage in continuous play on some electronic gaming machines without needing to hold down or re-press a button for a new spin.

Following an investigation, the VCGLR determined that, despite not being specifically prohibited, the distribution and use of these products may increase the risk of gambling-related harm and should not be permitted. The Commission issued a direction prohibiting the supply and preventing the use of button picks at the Melbourne Casino and provided a clear message to those in the gambling industry that practices that may increase the risk of gambling related harm will not be tolerated.

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# Requirements and systems impacting licensees

## IMPLEMENTING LEGISLATIVE CHANGE

The passage of the *Gambling Regulation Amendment (Gaming Machine Arrangements) Act 2017*, the *Gambling Legislation Amendment Act 2018* and the *Liquor and Gambling Legislation Amendment Act 2018* meant several legislative changes came into effect this year across the gambling and liquor sectors.

In response to these legislative changes, the VCGLR implemented:

- the prohibition of liquor advertising within 150 metres of a school
- a new licence category of producer's licence, replacing the previous wine and beer producers licence
- removal of the requirement for licensees to maintain an RSA register
- the total prohibition of the supply of alcohol to minors on licensed premises
- the requirement that the permitted supply of alcohol to a minor in a private residence be made in a 'responsible manner'
- a new offence of delivery of liquor to a minor
- new limits on cash facilities in gaming venues and cheque-cashing services in gaming venues.

New requirements regarding betting account deposit limits, restrictions on direct marketing and a ban on inducements for consumers to continue betting for online and telephone betting in Victoria also came into force from May 2019, giving effect to the National Consumer Protection Framework for Online Wagering in Australia.

A significant amount of work took place across the VCGLR to apply and implement these changes through updates to ICT systems, changes to internal processes and procedures and development of communication material to ensure industry understanding.

## DEMERIT POINTS

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 2019, 76 demerit points were recorded across 57 different venues, compared with 71 demerit points across 54 different venues at 30 June 2018, and 72 demerit points across 60 venues at 30 June 2017. Under the *Liquor Control Reform Act 1998*, current licensees whose premises incur a demerit point are not permitted to apply to the VCGLR to have the demerit point removed. There were 16 demerit points which expired for 16 licences within the most recent reporting period. Demerit points last for three years from the time the point is recorded.

## STAR RATING DISCOUNT

In 2019, 17,910 or 83 per cent of liquor licensees received a ten per cent discount on their annual liquor licence renewal fee as a result of holding a five-star rating with the VCGLR. A further 1152, or five per cent of licensees with a four-star rating, received a five per cent discount on their 2019 annual liquor licence renewal fee.

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 *Liquor Control Reform Act 1998*, non-compliance incidents include offences such as unlawful supply of alcohol to underage or intoxicated persons on licensed premises. Fifteen licences did not receive the discount because of non-compliance incidents. Sexually explicit entertainment venues are not eligible to receive discounts under the scheme.

# Appendices

## APPENDIX ONE – DISCLOSURE INDEX

The annual report of the VCGLR is prepared in accordance with all relevant Victorian legislation and pronouncements. This index provides an indication of the VCGLR's compliance with statutory disclosure requirements.

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## APPENDIX TWO – MINISTERIAL DIRECTIONS AND REGULATORY REQUIREMENTS

Ministerial directions, determinations and approvals are issued by the relevant minister and published in the Government Gazette. These documents establish rules or requirements in relation to gambling and liquor licensing in Victoria and are taken into account by the VCGLR when making decisions.

There were nine ministerial directions and other requirements made during the year. Ministerial directions can be found on the VCGLR website.

**Table 6 – Ministerial directions and other requirements issued in 2018–19**

Order	Date issued
S330 – Ministerial Declaration under s 3.4A.5AA(3) of the Gambling Regulation Act <b>Proportion of club and hotel Gaming Machine Entitlements</b>	3 July 2018
S379 – Ministerial Determination under ss 3.4A.3 and 3.4A.5(9) of the Gambling Regulation Act <b>Gaming Machine Allocation and Transfer Rules</b>	9 August 2018
S401 – Ministerial Approval under s 6A.2A.1 of the Gambling Regulation Act <b>Approval of Keno Games for Betting Purposes</b>	28 August 2018
S416 – Ministerial Direction under ss.3.4A.5(1)(A) and 3.4A.5(9)(2) <b>Maximum number of Gaming Machine Entitlements</b>	4 September 2018
S430 – Ministerial Direction pursuant to section 10.6.1 – <b>Self Exclusion Program</b>	17 September 2018
S430 – Ministerial Order under s 10.6.6 of the Gambling Regulation Act <b>Responsible Gambling Codes of Conduct</b>	17 September 2018
S56 – Ministerial Determination under ss 3.4Ra.3 and 3.4A.5(9) <b>Gaming Machine Entitlement Allocation and Transfer Rules</b>	21 February 2019
S198 – Ministerial Order under s.4.8A.2 of Gambling Regulation Act <b>Interactive Wagering and Betting</b>	20 May 2019
S278 – Ministerial decision-making guidelines pursuant to section 5 of the Victorian Commission for Gambling and Liquor Regulation Act <b>Applications for liquor licences to trade after 1.00 am</b>	28 June 2019

**Table 7 - Electronic gaming machine limits imposed by ministerial direction and regulatory requirements as at 30 June 2019 compared with 30 June 2018, 30 June 2017 and 30 June 2016.**

	Number				Percentage			
	2016	2017	2018	2019	2016	2017	2018	2019
Gaming machine entitlement limits imposed by section 3.4 A.5 of Gambling Regulation Act	27,372	27,372	27,372	27,372	100	100	100	100
Allocated to venue operators	27,011	26,991	26,944	26,944	98.68	98.61	98.44	98.44
Number of gaming machine entitlements attached to an approved venue	26,492	26,528	26,520	26,600	96.79	96.92	96.89	97.18
<b>Gaming machine entitlements inside / outside the Melbourne Statistical Division (MSD)</b>								
Minimum outside MSD	5474	5474	5,474	5,474	20	19.2	20	20
Maximum inside MSD	21,898	21,517	21,898	21,898	80	78.61	80	80
Current outside	7810	7846	7835	7838	28.53	28.66	28.62	28.63
Current inside	19,426	19,390	19,399	19,396	70.97	70.84	70.87	70.86
<b>Number of gaming machine entitlements</b>								
Venue condition 'Hotel'	13,686	13,686	13,686	13,686	50	50	50	50
Venue condition 'Club'	13,550	13,550	13,550	13,550	49.5	49.5	49.5	49.5
<b>Number of gaming machine entitlements attached to an approved venue</b>								
Venue condition 'Hotel'	13,633	13,644	13,611	13,650	49.81	49.85	49.73	49.87
Venue condition 'Club'	12,859	12,884	12,909	12,950	46.99	47.07	47.16	47.31

## APPENDIX THREE – ADDITIONAL INFORMATION

Information available on the VCGLR website includes:

- bingo centres and commercial raffle organisers
- codes of conduct
- Commission decisions and reasons 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
- RSA training course providers
- roll of manufacturers, suppliers and testers
- self-exclusion programs
- VCGLR directions and guidelines.

## APPENDIX FOUR – GAMBLING LICENSING-RELATED ACTIVITY

### Employee licensing

The VCGLR issued 2833 new licences and 804 renewed licences for gaming industry employees, casino special employees and bookmakers' key employees in 2018–19. There were 31,080 active licences at 30 June 2019, compared to 31,814 at 30 June 2018.

**Table 8 – Number of active gaming employee licences and registrations at 30 June 2019**

Category	2015-16	2016-17	2017-18	2018-19
Casino special employees	4574	4421	4,556	4603
Gaming industry employees	28,353	27,863	27,024	26,231
Bookmakers' key employees	211	226	234	246
<b>Total</b>	<b>33,138</b>	<b>32,510</b>	<b>31,814</b>	<b>31,080</b>

### Minor gaming

In 2018–19 the VCGLR determined 274 applicants to be declared as community and charitable organisations and confirmed 124 applications from organisations seeking to renew their status, enabling them to conduct community and charitable gaming fundraising activities.

The VCGLR issued 801 permits for other minor gaming activities such as authorising raffles or fundraising events to be conducted, and lucky envelopes to be sold.

### Commercial licensing

The VCGLR undertook 1679 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 electronic gaming machines, 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 the transfer of gaming machine entitlements and amendments to gaming machine entitlement conditions.

### Gambling products

The VCGLR determined 217 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. Since December 2015, the VCGLR has also been responsible for assessing any changes to Intralot's

electronic monitoring system to ensure it can facilitate the state-wide pre-commitment system (YourPlay). In 2018–19, four approvals were determined in relation to modifications to the YourPlay system.

The VCGLR also determined applications for approval from manufacturers and suppliers for 240 new games or gaming machines, and 368 variations to existing games or gaming machines, to be supplied to both gaming venues and/or the Melbourne casino.

### Ongoing monitoring

The VCGLR conducts periodic reviews of sports controlling bodies to assess their suitability to remain approved for the sports betting events for which they are responsible. In 2018-19, the VCGLR conducted a review of media reports regarding the AFL and the Melbourne Football Club that were published in April 2019. Following this review, the VCGLR found that the information and evidence published by the media formed part of its original investigation in 2012 which, determined that the AFL had not breached its obligations as a sports controlling body.

In 2018–19, the VCGLR took disciplinary action against five venue operators, twelve holders of gaming industry employee licences (disciplinary action was taken against one individual on two separate occasions), and one holder of a casino 'special employee' licence.

### 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. During the year, the VCGLR did not receive or consider any applications to approve a new event for betting purposes.

In 2018–19, the VCGLR approved one new sports controlling body – the Confederation of Australian Motor Sport (CAMS). As of 30 June 2019, there were 11 approved sports controlling bodies.

### **Gaming machine entitlements**

The VCGLR manages the attachment, amendment, transfer, payment and extension of relevant holding periods relating to gaming machine entitlements. In 2018–19, the VCGLR determined:

- 17 applications for the amendment of the geographic conditions attached to current entitlements relating to 71 hotel entitlements and 52 club entitlements, all of which were granted
- 10 applications for the amendment of the geographic conditions attached to post 2022 entitlements relating to 93 hotel entitlements and 10 club entitlements, all of which were granted
- 29 applications for the transfer of current entitlements, relating to 672 hotel entitlements and 192 club entitlements, all of which were granted
- 12 applications for the transfer of current entitlements, relating to 552 hotel entitlements and 156 club entitlements, all of which were granted
- 31 applications to extend the entitlement holding period, all of which were granted.

As of 30 June 2019, 281 entitlements, 250 club entitlements and 31 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.

As a venue operator holding an entitlement, you must commence gaming under that entitlement in your venue within the relevant holding period.

For entitlements acquired after 16 August 2012, the holding period is six months after the date you acquired the entitlement.

From 16 February 2013 (being the first date in which entitlements could be forfeited) until 30 June 2018, there were a total of 456 forfeited entitlements<sup>1</sup>. In the financial year ending 30 June 2019, no entitlements were forfeited.

<sup>1</sup> This was incorrectly reported as 458 in the 2017-18 Annual Report.



**Table 9 – Gambling licensing related activity**
*Approved applications may be subject to conditions.*

Licence or approval type			2015-16	2016-17	2017-18	2018-19
Gaming industry employee	Issued	New	1909	2137	1874	2154
		Renewal	254	300	414	550
		Replacement	332	251	215	237
	Refused		7	14	17	20
		Appealed	0	2	1	0
	Appealed	Appeal granted	0	0	0	0
		Appeal rejected	0	2	0	1
		Appeal pending	0	0	1	0
		Appeal withdrawn	0	0	0	0
Casino special employee	Issued	New	1075	558	695	668
		Renewal	170	212	184	254
		Replacement	127	110	117	95
		Upgrade	64	0	0	0
	Refused	0	1	4	0	
	Appealed	0	0	0	0	
Casino operator		Associate	2	0	6	1
Venue operator	Issued	New	9	13	25	8
		Renewal	42	41	93	95
		Nominee	105	96	151	163
		Associate	737	861	1 253	1 330
		Amendment	27	22	25	34
		Endorsement	0	0	0	0
	Refused	0	1	2	0	
	Appealed	0	0	0	0	
Bookmakers	Issued		10	5	2	7
		Sole traders (renewal)	0	0	0	0
		Corporate (new)	0	0	1	2
		Corporate (renewal)	0	0	0	0
		Partnerships (new)	1	2	2	2
		Partnerships (renewal)	0	0	0	0
		New nominee	0	0	1	2
		New associate	3	0	7	12
		Replacement	0	0	0	0
	Refused	1	0	0	0	
Appealed	0	0	0	0		
Bookmakers' key employees	Issued	New	9	16	8	11
		Renewal	0	0	0	0
		Replacement	1	2	1	2
	Refused	0	0	0	0	
	Appealed	0	0	0	0	

Licence or approval type			2015-16	2016-17	2017-18	2018-19
Bingo centre operator	Issued	New	1	1	1	0
		Renewal	0	0	0	0
		Nominee	1	1	1	0
		Associate	6	2	2	0
	Refused		0	0	0	0
	Appealed		0	0	0	0
Commercial raffle organisers	Issued	New	3	1	1	2
		Renewal	0	0	0	0
		Nominee	3	1	0	1
		Associate	25	2	3	6
	Refused		n/a	n/a	0	0
	Appealed		0	0	0	0
		Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
Appeal withdrawn		0	0	0	0	
Roll of manufacturers, suppliers and testers	Issued	New	2	1	1	1
		Associate	36	33	42	35
	Refused		0	1	0	0
	Appealed		0	0	0	0
		Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
Appeal withdrawn		0	0	0	0	
Public lottery	Associate	2	0	9	3	
Wagering and betting	Associate	7	3	12	4	
Keno	Associate	1	1	8	1	
EGM monitor	Associate	3	1	10	4	
Minor gaming permits	Issued	Raffles	471	559	484	550
		Bingo (notifications)	21	69	48 <sup>[1]</sup>	99
		Lucky envelopes	179	264	170	229
		Fundraising events	21	47	27	22
		Amendments	151	35	153 <sup>[2]</sup>	208
	Refused		0	1	2	1
	Appealed		0	0	1	0
Appeal rejected		0	0	1	0	
Declaration of community or charitable organisation	Issued	New	286	298	275	274
		Renewal	128	317	199	124
	Refused		18	3	13	13
	Revoked		0	0	0 <sup>[3]</sup>	0
	Appealed		4 <sup>[4]</sup>	0	0	0
		Appeal granted	2	0	0	0
	Appeal rejected	2	0	0	0	

Licence or approval type		2015-16	2016-17	2017-18	2018-19	
Gambling product	<b>New EGMs and EGM games</b>	Approved	212	216	157	244
		Refused	0	0	0	0
	<b>Modification to EGMs, games and systems</b>	Approved	654	255	227	423
		Refused	0	0	0	0
	<b>Linked jackpot arrangements in venues</b>	Approved	474	388	75	475
		Refused	0	0	0	0
	<b>Modification to wagering system</b>	Approved	90	90	73	81
		Refused	0	0	0	1
	<b>Modifications to Keno system</b>	Approved	13	9	15	12
		Refused	0	0	0	2
	<b>Modifications to lottery system</b>	Approved	40	59	59	65
		Refused	0	0	0	0
	<b>Modifications to Casino systems &amp; equipment</b>	Approved	60	68	48	51
		Refused	0	0	0	0
	<b>Variations to betting rules</b>	Approved	2	1	3	4
		Refused	0	0	0	0
	<b>Variations to lottery rules</b>	Approved	1	1	3	1
		Refused	0	0	0	0
	<b>New or variations to casino games or rules</b>	Approved	11	18	4	10
		Refused	0	0	0	2
<b>Sports betting event</b>	Approved	1	0	1	0	
	Refused	0	0	0	0	
<b>Sports controlling body</b>	Approved	0	0	0	1	
	Refused	0	0	0	0	

[1] The correct figure for 2017-18 for total bingo (notifications) is 48, not 19 as reported in the 2017-18 Annual Report.

[2] The correct figure for 2017-18 for total minor gaming amendments is 153, not 73 as reported in the 2017-18 Annual Report.

[3] The correct figure for 2017-18 for total revoked declarations of community and charitable organisations is 0, not 16 as reported in the 2017-18 Annual Report.

[4] The correct figure for 2017-18 for total appealed declarations of community and charitable organisations is 4, not 0 as reported in the 2017-18, Annual Report.



## Revenue and operational assurance

The VCGLR conducts 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 2003* and the *Casino Control Act 1991*.

In relation to gaming tax payable by gaming venues, the VCGLR has continued to successfully collect 100 per cent of taxes payable in the current reporting period through a direct debit from each venue's nominated bank account. Since August 2012 – and the implementation of the Direct Debit process from taxes by the VCGLR – there has been no unpaid debt to the State in relation to gaming tax payable by gaming venues.

The VCGLR also received and verified each tax payment made by the relevant licensee in relation to all other gambling products offered in the State. This verification process has occurred within two weeks of taxes being paid by the respective licensee. All variances between taxes calculated and amounts paid by the licensee are addressed, and additional payments and associated penalties were received as required.

Validated gambling expenditure data is published on the VCGLR website in monthly (by Local Government Area) and six monthly (total by gaming venue) intervals.

## Gambling player loss and taxes

As at 30 June 2019, player loss in its various forms within Victoria amount to just over \$5869 million and taxes and levies paid to the State of Victoria amount to just over \$1826 million.

**Table 10 – Player loss and taxes (\$million) paid by category activity 2018–19**

Source	Player loss	Taxes and levies paid into the Consolidated Fund
Gaming machines – hotels and clubs	2698.7	1023.3
Melbourne Casino – gaming machines and table games <sup>[1]</sup>	1679.1	228.4
Wagering – racing (totalisator), football, trackside and sports betting	827.3	58.7
Lotteries <sup>[2]</sup>	642.5	510.4
Keno	22.0	5.3
<b>Total:</b>	<b>5869.55</b>	<b>1826.21</b>

[1] In relation to consolidated taxes for 2018-19, super tax of \$6,967,490.62 million is included in the schedule of Melbourne Casino taxes above, which were paid in July 2019.

[2] Victoria only

## Applicable taxation rates

**Table 11 - Applicable taxation rates, by venue type and gambling type 2018–19**

Gaming machines—hotels and clubs			
1 July 2018 - 30 June 2019	Average monthly player loss in dollars per machine		
	less than 2666	2666 -12499	above 12,500
Clubs	0.00%	46.70%	54.20%
Hotels <sup>[1]</sup>	8.33%	55.03%	62.53%
Casino 2018-19 – Gaming machines and table games			
General player casino tax (tables only)			21.25%
General player casino tax (gaming machines only)			31.57%
Commission-based player tax (tables and gaming machines)			9.00%
Community Benefit levy (all players)			1.00%
Wagering 2018-19	1 July 18 - 31 Dec 18		1 Jan 19 - 30 June 19
Totalisator (pari-mutuel) betting		7.60%	8.00%
Approved betting competition		7.60%	8.00%
Fixed Odds 2018-19	1 July 18 - 31 Dec 18		1 Jan 19 - 30 June 19
Fixed Odds sports betting		4.38%	8.00%
Fixed Odds trackside		10.91%	8.00%
Lotteries 2018-19			
Public lottery tax (Australian sales)			79.40%
Public lottery tax (overseas sales)			90.00%
Soccer pools gaming tax (Australian sales)			57.52%
Soccer pools gaming tax (overseas sales)			68.00%
Keno 2018-19			
Gaming tax			24.24%

[1] 8.33 per cent of player loss is payable to the Community Support Fund

**Table 12 – Tax collection analysis by month for 2018–19**

Taxable Month	Number of Venues Scheduled for collection <sup>[1]</sup>	Monthly Tax Collection Status as at the end of FY 2018/19 (Number of venues)		
		Failed initial sweep	Tax subsequently collected	Outstanding Tax at End of FY18/19
July 2018	476			
August 2018	483			
September 2018	475			
October 2018	482			
November 2018	478	1	1	
December 2018	477			
January 2019	474	1	1	
February 2019	467	2	2	
March 2019	477			
April 2019	468			
May 2019	479			
June 2019	470			

[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.

**Table 13 – Community Benefit Statements 2018–19**

	<b>Clubs</b>
Number of Community Benefit Statements Lodged (as at 1 July 2019)	237
	\$'000
2017-2018 Net Gaming Revenue (NGR)	933,039
<b>Community Benefit Statement claims</b>	
<b>Class A</b>	<b>\$'000</b>
a) Donations, gifts and sponsorships (including cash, goods and services)	19,391
b) Cost of providing and maintaining sporting activities for use by club members	26,669
c) Cost of any subsidy for the provision of goods and services but excluding alcohol	16,290
d) Voluntary services provided by members and/or staff of the club to another person in the community	3633
e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	1047
<b>Class A total</b>	<b>67,030</b>
<b>Class B</b>	<b>\$'000</b>
a) Capital expenditure	8244
b) Financing costs (including principal and interest)	5268
c) Retained earnings accumulated during the year	52
d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	4559
e) Operating costs	188,172
<b>Class B total</b>	<b>206,295</b>
<b>Class C</b>	<b>\$'000</b>
a) Provision of responsible gambling measures and activities but excluding those required by law	6
b) Reimbursement of expenses reasonably incurred by volunteers	130
c) CBS preparation and auditing expenses	271
Class C total	407
CBS Total (Class A + B + C)	273,732
Percentage of NGR claimed for community purposes	29.34%

## Responsible gambling codes

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. Codes must comply with the Ministerial Direction for Responsible Gambling Code of Conduct, which was issued on 19 September 2018. A copy of the Ministerial Direction is available on the VCGLR website.

## APPENDIX FIVE – LIQUOR LICENSING-RELATED ACTIVITY

In 2018–19, the VCGLR determined 16,227 liquor licence-related applications compared to 16,434 for the previous financial year. ‘Determined applications’ refers to the number of applications granted or refused but does not include applications withdrawn prior to a determination being made. The total number of determined applications captures a range of applications including those for new permanent liquor licences and permits, temporary and major event licences, variations to existing licences and permit conditions, and transfers of existing licences or permits.

Most applications (64 per cent) were for temporary, limited or major event licences.

Of the 16,626 finalised applications (being the total of all granted, refused and withdrawn applications), 96.65 per cent were granted, 1.05 per cent were refused and 2.35 per cent were withdrawn by the applicant.

In a small proportion of finalised applications (1.5 per cent), objections to the grant of the applications were received from Victoria Police, local councils or community members. Approximately 57 per cent of these applications did not proceed as contested applications because either the objection or the application itself was withdrawn. Of those applications that did proceed as contested, 72 per cent were granted, often with special conditions.

As of 30 June 2019, there are 23,127 active permanent liquor licences – a 2.5 per cent increase on the previous year. This has been largely driven by 525 new restaurant and cafe licences and 429 new renewable limited licences being granted through the year.

A temporary decrease in licence numbers after 31 July can be observed every year because licences cease to have force 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.

During the year, the VCGLR issued 27,306 proof of age cards that are intended to be used to verify that the holder is aged 18 years or over for the purpose of entering licensed premises. This year’s figure represents a 6.58 per cent increase on the last financial year (25,619 cards).

At 30 June 2019, a total of 57 licences, incurring a total of 76 demerit points, were included in the demerit points register, as follows:

- one demerit point – 45 licences
- two demerit points – 7 licences
- three demerit points – 3 licences
- four demerit points – 2 licences.

The demerit points register is published on the VCGLR website.

**Table 14 – Licences granted by licence type 2018–19**

New permanent licences	2015-16	2016-17	2017-18	2018-19
Full club licence	1	0	5	0
Restricted club licence	4	1	3	3
General licence	41	51	45	53
Late-night (general) licence	1	2	2	0
On-premises licence	74	81	72	85
Late-night (on-premises) licence	2	2	3	1
Renewable limited licence	290	372	436	429
Packaged liquor licence	73	84	50	78
Late-night (packaged liquor) licence	0	0	0	0
Pre-retail licence	172	183	156	190
Restaurant and cafe licence	524	541	474	525
Producer’s licence <sup>[1]</sup>	27	35	23	46
BYO permit	121	97	96	92
<b>Total new permanent licences</b>	<b>1330</b>	<b>1449</b>	<b>1365</b>	<b>1502</b>
<b>Total temporary licences (includes major event licences)</b>	<b>10,165</b>	<b>10,254<sup>[2]</sup></b>	<b>10,828</b>	<b>10,393</b>

[1] On 11 October 2018, the Producer’s licence replaced the Wine and beer producer’s licence.

[2] The correct figure for 2016-17 for total temporary licences is 10,254, not 10,253 as reported in the 2016-17 Annual Report.

**Table 15 – Proof of age cards issued**

2015-16	2016-17	2017-18	2018-19
15,578	20,678	25,619	27,306

**Table 16 – Total liquor licence applications**

	2015-16	2016-17	2017-18	2018-19
Determined	15,384	15,329	16,434	16,227
Finalised	15,776	15,720	16,822	16,626

### Definitions

**Determined** applications are applications where a determination (decision) has been made to grant or refuse under the *Liquor Control Reform Act 1998*, withdrawn applications are excluded.

**Finalised** applications include determined applications as well as applications that were withdrawn.

### Designated areas

Under section 147 of the *Liquor Control Reform Act 1998*, the Commission has the power to declare an area in Victoria to be a designated area, providing Victoria Police and courts 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 2018–19, the Commission declared five designated areas in Colac’s central business district (CBD), Footscray CBD and surrounding areas, Mildura CBD, Mornington CBD and surrounds, and Sunshine CBD and surrounding areas.



## APPENDIX SIX - COMPLIANCE AND ENFORCEMENT

This section details the outcomes and grounds for compliance and enforcement action completed by the VCGLR.

**Table 17 – Gaming venue operator disciplinary action in date order**

Venue operator	Grounds	Decision Date	Result
Aust Croatian Assoc 'Cardinal Alojz Stepinac' Geelong Inc	<p>The club failed to comply with a condition contained in the letter of censure issued to the club on 7 February 2018. Specifically, the club failed to ensure that an individual lodge his completed Associated Individual application form together with all required documentation within 28 days of receiving the letter.</p> <p>The club failed to comply with the directions issued under 10.4A.4 of the <i>Gambling Regulation Act 2003</i> (the Act). Specifically, the club failed to notify the Commission in writing within 14 days of its annual general meeting held on 24 April 2018 where three approved individuals stood down from its board and three new board members were appointed; and the club failed to comply with section 10.4.6 of the Act. Specifically, the club failed to notify the Commission of a change in the information provided in connection with the application to renew its venue operator's licence.</p>	31 July 2018	Fined \$2000
The Sunbury Football Social Club Limited	The club failed to advise the Commission in writing of the resignation of two directors in 2015, the election and appointment of four directors in 2015, 2016 and 2017, and failed to ensure that new directors do not become associated individuals of the club without prior approval in writing by the Commission.	13 September 2018	Fined \$2500
Wonthaggi Workmens Club Inc	The club failed to lodge associated individual application forms with the Commission for approval of three new associates within the required time period.	16 November 2018	Fined \$1000
Club Fogolar Furlan Melbourne	The club failed to comply with section 3.4.14 of the <i>Gambling Regulation Act 2003</i> (the Act) and failed to comply with the directions under section 10.4A.4 of the Act issued by the Commission to gaming industry participants.	22 November 2018	Fined \$1000
Hampton Bowls Club Inc	The venue operator failed to lodge its 2017-18 Community Benefit Statement by the due date.	6 March 2019	Fined \$1000

**Table 18 – Gaming industry and Casino special employee disciplinary action in date order**

Grounds	Decision Date	Result
 An individual became insolvent under administration and contravened a condition of his licence	6 July 2018	Licence suspended for a period of three and a half months
 An individual contravened a condition of her licence	25 July 2018	Letter of censure
 An individual contravened a condition of her licence	27 July 2018	Letter of censure
 An individual was charged with a relevant offence and contravened a condition of her licence	2 August 2018	Letter of censure
 An individual contravened a condition of her licence	7 August 2018	Letter of censure
 An individual was charged with a relevant offence and contravened a condition of her licence	7 August 2018	Cancellation of licence
 An individual contravened a condition of his licence	27 August 2018	Cancellation of licence
 An individual contravened a condition of her licence	28 August 2018	Letter of censure
 An individual contravened a condition of his licence	18 September 2018	Cancellation of licence
 An individual contravened a condition of his licence	24 September 2018	Licence suspended for six months
 An individual contravened a condition of her licence	12 October 2018	Letter of censure
 An individual contravened a condition of his licence	12 October 2018	Cancellation of licence and disqualified from obtaining or applying for a gaming licence for two years
 An individual was charged with a relevant offence and contravened a condition of her licence	14 March 2019	Licence suspended for six months
 An individual contravened a condition of her licence	14 May 2019	Licence suspended for six months



Casino special employee



Gaming industry employee

There was no disciplinary action taken against roll listees or bookmakers in 2018-19.

## PROSECUTIONS UNDER THE GAMBLING REGULATION ACT

### Registered Bookmaker

On 7 February 2019, the Dandenong Magistrates Court found a registered bookmaker guilty of allowing a minor to gamble, contrary to section 10.7.3(3) of the *Gambling Regulation Act 2003* (GRA). The Magistrate adjourned the matter on good behaviour for 12 months, without conviction, and ordered the bookmaker to pay the VCGLR's costs of \$324.30.

## ENFORCEABLE UNDERTAKINGS UNDER THE LIQUOR CONTROL REFORM ACT

### Stamina Investment Group

The Partners of Stamina Investment Group provided an undertaking to the Commission dated 5 November 2018 in relation to the on-premises licence at the premises known as the Ascot Lot. The undertaking was to carry out insulation and fencing works at the premises to assist noise reduction by 1 December 2018.

## PROSECUTIONS UNDER THE LIQUOR CONTROL REFORM ACT

### *Kelyon Pty Ltd*

On 6 June 2019, the Melbourne Magistrates Court found Kelyon Pty Ltd guilty of, between 21 July 2017 and 8 May 2018, offering liquor for sale without a licence, contrary to section 107(1) of the *Liquor Control Reform Act 1998* (LCRA). The Court ordered the accused to pay \$1000 to the court fund and adjourned the matter on good behaviour for 12 months without conviction.

### *Individual prosecution*

On 27 June 2019, the Melbourne Magistrates Court found the accused guilty of offering liquor for sale without a licence (on two separate dates) at a restaurant and cafe when not the holder of a liquor licence, contrary to section 107(1) of the LCRA, and falsely indicating the venue as licensed premises contrary to section 116(a) of the same Act. The Court fined the defendant \$2000, without conviction, and ordered the accused to pay the VCGLR's costs of \$500.

### *Regal Court Pty Ltd*

On 26 November 2018, the Melbourne Magistrates Court, Regal Court Pty Ltd was found guilty of supplying liquor not in accordance with its licence, contrary to section 108(1)(a)(i) of the LCRA. The Court fined the defendant \$600, without conviction, and ordered the accused to pay the VCGLR's costs of \$300.

### *Taco 2016 Pty Ltd*

On 22 August 2018, the Geelong Magistrates Court, Taco 2016 Pty Ltd accepted responsibility for selling and offering liquor for sale without a licence, contrary to section 107(1) of the LCRA. The Court ordered the defendant enter a Diversion Plan subject to the following conditions:

- donate \$500 to the Cancer Council of Victoria by 19 September 2018
- complete a VCGLR approved 'Licensees' First Steps Course' within 28 days, and a VCGLR approved 'Advanced RSA Course' within three months of the date of the Diversion Order and provide evidence of completion to the VCGLR within 28 days of completion of both courses; and
- pay the VCGLR's costs of \$200.

### *Geelong Waterfront Seafood & Grill Restaurant*

On 28 August 2018, the Geelong Magistrates Court found Geelong Waterfront Seafood and Grill Restaurant Pty Ltd guilty of two charges of selling liquor without a licence, in contravention of section 107(1) of the LCRA. The Magistrate ordered that the defendant pay a fine of \$2500, without conviction, statutory costs of \$124.30 and the VCGLR's costs of \$300.

### *Ninja Teppanyaki Pty Ltd*

On 9 August 2018, the Melbourne Magistrates Court, Ninja Teppanyaki Pty Ltd was found guilty of one charge of selling liquor without a licence, in contravention of section 107(1) of the Liquor Control Reform Act. The defendant was fined \$500 without conviction and was ordered to pay the VCGLR's costs of \$382.40.

### *Maddhus Pty Ltd*

On 18 October 2018 at Orbost Magistrates Court, Maddhus Pty Ltd was found guilty of selling and offering liquor for sale without a licence, contrary to section 107(1) of the LCRA. The defendant was convicted and fined \$4000, and ordered to pay the VCGLR's costs of \$865, plus statutory costs.

## APPEALS AGAINST EXCLUSION ORDERS

This year 12 appeals were lodged against exclusion orders issued by Crown Melbourne Limited under Section 72 of the *Casino Control Act 1991*, which prohibits persons from entering or remaining in the Melbourne casino.

Of these 12 appeals lodged, one appeal was allowed in part, nine were rejected and two appeals are yet to be determined.

## WARNINGS AND INFRINGEMENTS

During the 2018–19 financial year there have been 2784 warnings and 233 infringement notices issued by the VCGLR for gambling and liquor-related matters.

A total of 2546 liquor-related warnings were issued by the VCGLR during the 2018–19 financial year.

## APPENDIX SEVEN – CORPORATE PLAN

The VCGLR's Corporate Plan 2017-20 incorporates a series of Measures of Successes in the form of Key Performance Indicators (KPIs) to be used to monitor outcomes that fall under three priorities:

- modernising regulatory tools and practice
- providing a collaborative and unified environment
- increasing strategic influence to improve outcomes.

KPIs are three-year targets, to be achieved by June 2020. Data from 2016–17 has been included in this information to provide a benchmark for comparison of performance to date.

**Table 19 – Corporate Plan reporting**

Targets to be achieved over three years (to June 2020)							
Priority	Key performance indicator	Unit of Measure	30 Jun 2017 Actual	30 Jun 2018 Actual	30 Jun 2019 Actual	30 June 2020 Target	Commentary
Modernising regulatory tools and practice	Increase joint operations with co-regulators by 30%	number <sup>1</sup>	34	22	20	44	At the end of the 2018-19 financial year the Compliance Division had conducted 20 joint operations targeting harm offences relating to the supply of liquor to intoxicated patron, minors being permitted on licensed premises and drunk and or disorderly persons being permitted on licensed premises.
	Decrease administrative non-compliance by 5%	number <sup>2</sup>	1790	3204	2421	1700	A total of 2421 administrative non-compliance matters were identified throughout 2018-19 representing a 24% reduction against 30 June 2018. This was achieved through the reprioritisation and alignment of resources to focus on high-risk venues, gambling inspections and associated harms, informed by our intelligence program.
	Increase the number of inspections at high-risk, high-harm times	number	1021	1781	2196	Trend over time	A total of 2196 inspections were conducted during high-risk times focussing on high harm and priority venues throughout the 2018-19 financial year. This is a 38% increase in high-risk and high-harm inspections and reflects the divisional focus on high harms and investment in intelligence holdings, including the harm resource tool to identify venues and areas of high priority.
	Decrease complaints against industry by 5%	number <sup>3</sup>	790	884	767	750	During 2018-19, 767 complaints were received by the division's Complaints team, a reduction of 13% since 2017-18. The VCGLR continues to proactively engage with industry participants, local communities and co-regulators to address gambling and liquor related complaints.
	Increase inspections at high-risk times to 18%	percentage	10.9%	13.72%	18.69%	18.0%	The VCGLR conducted 18.69% of inspections at high-risk times throughout 2018-19. Performance outcomes were influenced by our intelligence and analytical capability frameworks along with the successful implementation of the VCGLR's compliance change program.
	Increase detection of high-risk breaches by 10%	number <sup>4</sup>	1361	1742	529	1497	A total of 529 high-harm breaches were recorded throughout 2018-19. This represents an overall reduction in such breaches and reflects a 38% increase in inspections prioritised because of a high-risk assessment. The lower high-harm breach figure also indicates a shift towards voluntary industry compliance. Throughout the second half of 2018-19 a series of gambling venue inspections and licence enforcements were initiated in support of the Compliance division's regulatory approach.
	Move all applications online by 2020 <sup>5</sup>	number	7	17	21 <sup>6</sup>	Less than 5% paper based applications	There are 113 VCGLR application forms. The 28 forms currently online means that approximately 80 per cent of all applications can be completed online. In 2016-17, seven application forms were moved online. In 2017-18, 17 forms were moved online. Similarities in application requirements for a number of these forms facilitated the higher volume moving online. In 2018-19, a further four forms moved online. Five more forms are under development and will be implemented in 2019-20
	Increase % calls answered within 60 seconds	percentage	64%	77.2%	75%	80%	Calls exceeded resourcing capacity at peak times

Priority	Key performance indicator	Unit of Measure	30 Jun 2017 Actual	30 Jun 2018 Actual	30 Jun 2019 Actual	30 June 2020 Target	Commentary
Providing a collaborative and unified environment	% of staff with an integrated performance development plan	percentage	95%	99.52%	100%	96%	As of June 2019, 100 per cent of staff required to participate in the end-of-cycle review have performance development plans in place.
	Staff are engaged and have a positive work environment	percentage	62%	64%	64%	Trends over time	This measure is based on the VCGLR's result for satisfaction and engagement from the People Matter Survey. This is measured by averaging the results for questions from areas in the People Matter Survey related to employee engagement and job satisfaction.

1. The overall percentage will be calculated in 2019-20 against the June 2017 benchmark.
2. As above.
3. The overall percentage will be calculated in 2019-20 against the June 2017 benchmark.
4. As above.
5. This KPI relates to all frequently used application forms.
6. Reported totals are cumulative totals.



## APPENDIX EIGHT – GOVERNANCE

### **Establishment**

The VCGLR was established under the *Victorian Commission for Gambling and Liquor Regulation Act 2011*. The functions and powers of the VCGLR are set out in sections 9 and 10 of that Act. Since establishment on 6 February 2012, the VCGLR has been responsible for regulating the gambling and liquor industries in Victoria.

### **Audit and Risk Management Committee**

The Audit and Risk Management Committee (ARMC) consists of the following members:

- Mr David Boymal AM (Chair)
- VCGLR Deputy Chair Deirdre O'Donnell PSM
- VCGLR Deputy Chair Helen Versey.

All members are independent and the Chair is external to the VCGLR.

The ARMC reports directly into the Commission and its responsibilities include:

- independently review and assess the effectiveness of VCGLR systems and controls for financial management, performance and sustainability, including risk management
- oversee the effectiveness and efficiency of the internal audit function
- review and report independently to the Commission on the annual report and all financial information released to Parliament
- review and monitor compliance with the *Financial Management Act 1994*, the associated Standing Directions and Instructions, monitor remedial action to address non-compliance and report the level of compliance attained to the Commission
- maintain effective communication with external auditors and consider their views on issues which impact on the financial management, compliance and risks of VCGLR finances
- consider recommendations made by internal and external auditors that impact on financial management, performance and sustainability and review the implementation of actions to resolve issues raised.

In 2018–19 the Committee met five times – on 20 August 2018, 3 September 2018, 12 November 2018, 4 March 2019 and 27 May 2019.

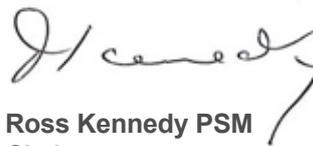
### **Financial Management Compliance**

To ensure a high standard of public financial management and accountability, public sector entities are required to attest in annual reports that they have complied with the applicable Standing Directions and Instructions under the *Financial Management Act 1994*.

The VCGLR reviewed its financial management processes and determined it is compliant in 2018–19 with the mandatory financial management requirements. The VCGLR Audit and Risk Management Committee verified this view.

### **VCGLR FINANCIAL MANAGEMENT COMPLIANCE ATTESTATION STATEMENT**

I, Ross Kennedy, on behalf of the Commission certify that the Victorian Commission for Gambling and Liquor Regulation (VCGLR) has complied with the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



**Ross Kennedy PSM**

Chairperson

Victorian Commission for Gambling and Liquor Regulation

**27 August 2019**

# Other committees

A number of other committees contribute to the governance of the VCGLR.

## **Legislation, Regulation and Policy Committee**

The Legislation, Regulation and Policy Committee provides the Commission with 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 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
- 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 gambling and liquor.

In 2018–19 the Committee met six times on 5 September 2018, 7 November 2018, 19 December 2018 (special meeting), 7 March 2019, 11 April 2019 (special meeting) and 6 June 2019.

## **People and Culture Committee**

The VCGLR's People and Culture Committee advises and assists the Commission to help ensure 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 that person's role.

The Commissioners attend the People and Culture Committee which meets three times per year.



## Occupational health and safety

The VCGLR has an active Occupational Health and Safety Committee that meets quarterly and ensures work-related risks are identified and addressed. During this year, the number of incidents and standard claims have slightly increased, with the number of incidents up by four and the number of claims up by one.

**Table 20 – Incidents, claims, fatalities and claim costs per 100 full time equivalents 2015-16 to 2018-19**

Measure	KPI	2015-2016	2016-2017	2017-2018	2018-2019
Incidents	Number of Incidents <sup>(a)</sup>	18	12	12	16
	Rate per 100 FTE	10.08	6.09	5.7	7.61
Claims	Number of standard claims <sup>(b)</sup>	3	3	3	4
	Rate per 100 FTE	1.68	1.52	1.43	1.9
	Number of lost time claims <sup>(b)</sup>	3	3	3	4
	Rate per 100 FTE	1.68	1.52	1.43	1.9
Fatalities	Fatality claims	0	0	0	0
Claim costs	Average cost per standard claim <sup>(b)</sup>	\$ 58,746	\$ 95,640	\$ 34,388	\$ 130,908

(a) 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.

(b) Victorian WorkCover Authority (VWA) data supplied by agent as at 20 July 2019. 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 is a total of claims costs paid and VWA statistical case estimates.

## Freedom of Information

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

From 1 July 2018 to 30 June 2019, the VCGLR's average request-processing time of 23.81 days was within the statutory requirement of 30 days.

**Table 21 – FOI requests received 2018-2019**

<b>Requests received</b>	<b>24</b>
<b>Initial decision</b>	
Granted in full	1
Partially granted	11
Refused	3
Previously released	0
In progress	3
Non-existent document requested	1
Not proceeded with	0
Withdrawn	4
Transferred to another agency	1
<b>Total</b>	<b>24</b>

### **Applications for review to the FOI Commissioner (OVIC)**

There were no applications for review to the FOI Commissioner in 2018-2019.

**Table 22 – Information about FOI requests 2018-19**

Information about requests	
Transferred from another agency	0
Average processing time (days)	23.81
Applications for review to the FOI Commissioner	0
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 (for example, a solicitor) to make a request on that individual's behalf.

A FOI request for documents must include the following:

- a written request to the VCGLR FOI 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/)
- a clear description of the documents being requested with sufficient detail to enable the document(s) being sought to be identified
- the appropriate application fee (currently \$28.90). 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



**Level 3, 12 Shelley 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)

**Making a complaint**

Through the complaints process, the VCGLR investigates breaches under a number of Acts, including the *Liquor Control Reform Act 1998*, *Gambling Regulation Act 2003* and the *Casino Control Act 1991*.

Complaints are received in writing, via email or letter to the VCGLR. Further information on the VCGLR's complaints process is available on the VCGLR website.

**Employment conduct and principles**

The VCGLR continues to promote public administration values and adhere to open and transparent employment principles. There are Victorian Public Service (VPS) common policies and VCGLR comprehensive policies and practices in place that are consistent with the Victorian Public Sector Commission's (VPSC) employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

Selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountable indicators without discrimination. Employees have been correctly classified in workforce data collections.

**Public sector values**

The *Public Administration Act 2004* established the VPSC. The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The VCGLR's four values are aligned with the Public Sector values of Integrity, Responsiveness, Accountability, Human Rights, Leadership Impartiality and Respect.

The VCGLR has strengthened its integrity framework through a strategic internal communications and staff engagement annual plan that embeds and promotes the organisation's values and employment principles across the organisation.

**Comparative workforce data**

The full-time equivalent (FTE) component of VCGLR staffing in 2018–19 has remained consistent with the 2017–18 FTE.

**Table 23 – FTE staffing trends (headcount) 2014 –2019**

2019	2018	2017	2016	2015	2014
210.37	210.48	197.04	178.55	183.79	183.92

**Table 24 – Summary of employment levels at June 2018 and June 2019**

	Ongoing employees			Fixed term and casual employees	
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
<b>Jun-19</b>	197	177	20	189.97	20.4
<b>Jun-18</b>	199	174	25	190.3	20.18

**Table 25 – Annualised total salary (by \$20,000 bands) for executives and other senior non-executives**

Income band (salary)	Executives	STS	Other
\$160,000 - \$179,999	1		
\$180,000 - \$199,999	1		
\$200,000 - \$219,999	2	1	
\$220,000 - \$239,999			
\$240,000 - \$259,999			
\$260,000 - \$279,999	1		
<b>Total</b>	<b>5</b>	<b>1</b>	<b>0</b>

## Executive officer data

For a public body, an executive officer (EO) is defined as a person, other than a statutory office holder or an accountable officer, who is employed as an executive under part three of the Public Administration Act or is a person to whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies. All figures reflect employment levels at the last full pay in June of the current year and of the corresponding previous reporting year.

**Table 26 – Executive staffing profile by gender**

Class	All			Male			Female			Self-described		
	2019	2018	Var.	2019	2018	Var.	2019	2018	Var.	2019	2018	Var.
EO 1												
EO 2												
EO 3	4	5	-1	3	3	0	1	2	-1	0	0	0
<b>Total</b>	<b>4</b>	<b>5</b>	<b>-1</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Government advertising expenditure

The VCGLR has not undertaken any advertising campaign with a total media buy of \$100,000 or greater.

## Consultancy expenditure

### Details of consultancies (valued at \$10,000 or greater)

In 2018–19, there were six consultancies where the total fees payable to the consultant was \$10,000 or greater. The total expenditure incurred during 2018–19 in relation to the consultancies is \$285,987 (excluding GST). Details of individual consultancies are outlined below.

**Table 27 – Details of consultancies valued at \$10,000 or greater**

Consultant	Purpose of Consultancy	Start date	End date	Total Approved Project fee (excl. GST)	Expenditure 2018-19 (excl. GST)	Future Expenditure (excl. GST)
Department of Justice and Community Safety, outsourced to Deloitte (Australia) Pty Limited	Organisational cost review	Aug 2018	Dec 2018	181,827	181,827	NIL
Cube Group Management Consulting (Aust) Pty Ltd	Professional services to develop a licensing evaluation framework	Mar 2017	Sep 2018	70,925	34,038	NIL
Cube Group Management Consulting (Aust) Pty Ltd	Professional services to develop a compliance evaluation framework	Mar 2019	May 2019	19,127	19,125	NIL
Qdos Research Pty Ltd	To undertake the development, execution and analysis of a survey to benchmark stakeholder satisfaction.	Jun 2019	Jul 2019	28,100	21,075	7,025
Linda Mary Woo	Review of major licence management processes.	May 2019	Jun 2019	11,200	11,047	NIL
Values Communication	Review of strategic communications approach to meet corporate plan objectives and development of communications framework.	May 2019	Jun 2019	18,875	18,875	NIL
					<b>\$285,987</b>	

### Details of consultancies under \$10,000

In 2018–19, 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

Information and Communication Technology (ICT) expenditure refers to the VCGLR's costs in providing business-enabling ICT services within the current reporting period. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the VCGLR's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

**Table 28 – ICT expenditure 2018–2019**

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure	Non-Business As Usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
Total	(Total = Operational expenditure and capital expenditure)		
<b>\$ (excl. GST)</b>	<b>\$ (excl. GST)</b>	<b>\$ (excl. GST)</b>	<b>\$ (excl. GST)</b>
<b>7,695,638</b>	<b>734,740</b>	<b>70,389</b>	<b>664,351</b>

### Disclosure of major contracts

There were no contracts with a value greater than \$10 million entered into by the VCGLR in 2018–19.

Summary details of contracts with a commitment greater than \$100,000 entered into during the 2018-19 year have been published on the Victorian Government website – [tenders.vic.gov.au](http://tenders.vic.gov.au)

### Compliance with the Protected Disclosures Act

The VCGLR has established procedures that comply with the requirements of the *Protected Disclosures 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.

#### Reporting procedures

Reports must be made directly to IBAC.

#### Further information

Information regarding Protected Disclosures can be found on the VCGLR website or on IBAC's website.

### Compliance with the Building Act

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 Carers Recognition Act

The VCGLR has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012* (the Act) including considering the care relationships principles set out in the Act when setting policies and providing services.

### Local Jobs First

The *Local Jobs First Act 2003*, introduced in August 2018, brings together the Victorian Industry Participation Policy (VIPPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately. The VCGLR has had no projects in 2018–19 that require application of the *Local Jobs First Act 2003*.

## APPENDIX NINE – OFFICE-BASED ENVIRONMENTAL IMPACT

### Energy

The VCGLR consumed 1,643,220 megajoules (MJ) of electricity across its North Richmond office tenancy during the 2018–19 year – approximately 354.26 MJ per square metre. This equates to total greenhouse gas emissions of 561.43 tonnes of CO<sub>2</sub>-e.

The energy consumption at the VCGLR’s Ararat, Sale and Casino offices are not individually metered and no usage figures are available.

### Waste

While the VCGLR continues to conscientiously separate waste into recyclables, compost and landfill, the property manager of the VCGLR’s Richmond office (a multi-tenanted building in Shelley Street) 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. Where appropriate, the VCGLR also provides shredded paper waste to the North Richmond community garden for use as compost material.

### Paper

The VCGLR uses 100 per cent recycled copy paper. FollowMe Printing 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. 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 29 – Paper use 2017–18 and 2018–19**

Paper use	2017-18	2018-19
Paper used per Full Time Equivalent (FTE) (reams)	14.8	17.11
Paper used in total (reams)	3115	3250

### Water

Water consumption at the Richmond building where the VCGLR shares tenancy, is solely for office purposes. Environmental initiatives for the building include waterless urinals and the harvesting of rainwater to flush toilets.

The consumption is not individually metered and no usage figures are available.

### Transportation

In 2018–19 the VCGLR maintained a fleet of 14 operational vehicles and four executive vehicles. Twelve of the 14 vehicles are leased from the Department of Treasury and Finance (DTF) VicFleet and two are owned by the VCGLR.

This year was the first full year of the VCGLR’s regional offices in Ararat and Sale where two fleet vehicles were assigned to each office.

**Table 30 – Petrol use for transport 2017–18 and 2018–19**

All vehicles	2017-18	2018-19
Litres of petrol used	21,355.41	35,498.04
Litres per vehicle (average)	1,334.71 <sup>[1]</sup>	1,972.11

[1] Two Kia Sportage vehicles purchased for the regional hubs have only been in service since March and April 2018 respectively, thereby reducing the overall fuel consumption average for the 2017-18 financial year.

The VCGLR also holds 25 Myki Cards across all Divisions to enable staff to travel by public transport to meetings and other work-related duties when possible. Fourteen of the 25 cards are held by the Compliance Division to assist Compliance Inspectors carrying out inspections and operations in the inner city and suburbs and to reduce demand on the vehicle fleet.

### **Greenhouse gas emissions**

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

### **Environmental procurement**

In 2018–19 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.

### **Additional information available upon 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 organisation about itself, and how these can be obtained
  - details of changes in prices, fees, charges, rates and levies charged by the organisation
  - details of any major external reviews carried out on the organisation
  - details of major research and development activities undertaken by the organisation
  - details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
  - details of major promotional, public relations and marketing activities undertaken by the organisation to develop community awareness of the VCGLR and its services
  - details of assessments and measures undertaken to improve the occupational health and safety of employees
  - details of the types of inquiries held by the VCGLR in 2017–18
- a general statement on industrial relations within the organisation 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, and
    - consultants and contractors engaged
    - services provided
    - expenditure committed to for each engagement.

### **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. It also promotes the sharing of – and access to – resources with the right to information in order 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 available on the Victorian Government Data Directory.



# Financial Statements

For the financial year  
ended 30 June 2019

# How this report is structured

The Victorian Commission for Gambling and Liquor Regulation (VCGLR) has presented its audited general purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about the VCGLR's stewardship of resources entrusted to it.

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# Certifications

## DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for the Victorian Commission for Gambling and Liquor Regulation have been prepared in accordance with Directions 5.2 of the Standing Directions of the Assistant Treasurer under 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, cash flow statement, statement of changes in equity and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2019.

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 3 September 2019.



**Ross Kennedy PSM**  
Chairperson  
Victorian Commission  
for Gambling and Liquor Regulation



**Catherine Myers**  
Chief Executive Officer  
Victorian Commission for  
Gambling and Liquor Regulation



**Michael Everett**  
Director Corporate Services  
& Chief Finance Officer  
Victorian Commission for  
Gambling and Liquor Regulation

**Melbourne**  
3 September 2019

# Independent Auditor's Report

## To the Commissioners of the Victorian Commission for Gambling and Liquor Regulation

**Opinion** I have audited the financial report of the Victorian Commission for Gambling and Liquor Regulation (the authority) which comprises the:

- balance sheet as at 30 June 2019
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- declaration in the financial statements.

In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

**Basis for Opinion** I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Commissioner's responsibilities for the financial report** The Commissioners of the authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Commissioners are responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners
- conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
6 September 2019



Ron Mak

*as delegate for the Auditor-General of Victoria*

# Financial statements

## Comprehensive operating statement

for the financial year ended 30 June 2019

	Notes	2019	2018
		\$	\$
<b>Income from transactions</b>			
Grants	2.2	43,394,325	37,893,397
<b>Total income from transactions</b>		<b>43,394,325</b>	<b>37,893,397</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1.1	(26,835,642)	(24,936,907)
Depreciation and amortisation expense	5.1.1	(2,444,851)	(2,294,852)
Other operating expenses	3.2	(14,113,790)	(10,598,940)
<b>Total expenses from transactions</b>		<b>(43,394,283)</b>	<b>(37,830,699)</b>
<b>Net result from transactions (net operating balance)</b>		<b>41</b>	<b>62,698</b>
<b>Other economic flows included in net result</b>			
Net gains/(losses) on non-financial assets <sup>(i)</sup>		178	0
Other gains/(losses) from other economic flows <sup>(ii)</sup>		(466,367)	(7,151)
<b>Total other economic flows included in net result</b>		<b>(466,189)</b>	<b>(7,151)</b>
<b>Net result</b>		<b>(466,148)</b>	<b>55,547</b>
<b>Comprehensive result</b>		<b>(466,148)</b>	<b>55,547</b>

The accompanying notes form part of these financial statements.

**Notes:**

(i) 'Net gain/(loss) on non-financial assets' includes gains/(losses) from disposals of assets.

(ii) 'Net gain/(loss) other economic flows' includes gains/(losses) due to changes in bond rates.

## Balance sheet

as at 30 June 2019

	Notes	2019	2018
		\$	\$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7.2	777,478	736,305
Receivables	6.1	10,217,562	9,323,318
<b>Total financial assets</b>		<b>10,995,040</b>	<b>10,059,623</b>
<b>Non-financial assets</b>			
Leasehold improvements, plant, equipment and vehicles	5.1	1,950,488	2,683,187
Intangible assets	5.2	5,558,365	5,748,211
Prepayments	6.3	555,574	598,036
<b>Total non-financial assets</b>		<b>8,064,427</b>	<b>9,029,434</b>
<b>Total assets</b>		<b>19,059,467</b>	<b>19,089,057</b>
<b>Liabilities</b>			
Payables	6.2	1,835,802	2,252,277
Leases	7.1	382,682	275,971
Provisions	3.1.2	7,323,782	6,577,176
<b>Total liabilities</b>		<b>9,542,266</b>	<b>9,105,424</b>
<b>Net assets</b>		<b>9,517,201</b>	<b>9,983,633</b>
<b>Equity</b>			
Accumulated surplus/(deficit)		1,621,924	2,088,071
Contributed capital		7,895,277	7,895,562
<b>Net worth</b>		<b>9,517,201</b>	<b>9,983,633</b>

The accompanying notes form part of these financial statements.

## Cash flow statement

for the financial year ended 30 June 2019

	Notes	2019	2018
		\$	\$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		42,500,080	36,779,563
Goods and services tax recovered from the ATO <sup>(i)</sup>		999,734	1,054,459
<b>Total receipts</b>		<b>43,499,814</b>	<b>37,834,022</b>
<b>Payments</b>			
Payments to suppliers and employees		(42,042,938)	(36,521,244)
<b>Total payments</b>		<b>(42,042,938)</b>	<b>(36,521,244)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>7.2.1</b>	<b>1,456,876</b>	<b>1,312,778</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets		(1,328,992)	(1,194,006)
<b>Net cash flows from/(used in) investing activities</b>		<b>(1,328,992)</b>	<b>(1,194,006)</b>
<b>Cash flows from financing activities</b>			
Repayment of finance leases		(86,712)	(66,382)
<b>Net cash flows from/(used in) financing activities</b>		<b>(86,712)</b>	<b>(66,382)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>41,173</b>	<b>52,390</b>
Cash and cash equivalents at the beginning of the year		736,305	683,915
<b>Cash and cash equivalents at the end of the year</b>	<b>7.2</b>	<b>777,478</b>	<b>736,305</b>

The accompanying notes form part of these financial statements.

Notes:

(i) Goods and services tax recovered from the Australian Taxation Office is presented on a net basis.

## Statement of changes in equity

for the financial year ended 30 June 2019

	Notes	Accumulated Surplus	Contributed Capital	Total
		\$	\$	\$
<b>Balance at 1 July 2017</b>		<b>2,032,525</b>	<b>7,895,562</b>	<b>9,928,087</b>
Net result for the year		55,547	0	55,547
<b>Balance at 30 June 2018</b>		<b>2,088,072</b>	<b>7,895,562</b>	<b>9,983,634</b>
Net result for the year		(466,148)	0	(466,148)
Equity transfer within government		0	(285)	(285)
<b>Balance at 30 June 2019</b>		<b>1,621,924</b>	<b>7,895,277</b>	<b>9,517,201</b>

The accompanying notes form part of these financial statements.

## 1. ABOUT THIS REPORT

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 2011* which was passed on 27 October 2011 and received Royal Assent on 2 November 2011.

Its principal address is:

Level 3, 12 Shelley Street  
Richmond, Victoria 3121

### ***Basis of preparation***

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing 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 financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. 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 circumstances. 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.

All amounts in the financial statements have been rounded to the nearest dollar unless otherwise stated.

### ***Compliance information***

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AASs) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure 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.

## 2. FUNDING DELIVERY OF OUR SERVICES

### Introduction

The overall objectives of the VCGLR are set out in section 9 of the *Victorian Commission for Gambling and Liquor Regulation Act 2011*.

The VCGLR operates within the scope of gambling legislation (*Gambling Regulation Act 2003, Casino Control Act 1991, Racing Act 1958, Casino (Management Agreement) Act 1993*) and liquor legislation (*Liquor Control Reform Act 1998*) 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
- 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 Community Safety (DJCS) 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.

### 2.1 Summary of income that funds the delivery of our services

	Notes	2019 \$	2018 \$
Grants	2.2	39,140,990	37,893,397
Specific purpose grants	2.2	4,253,335	0
<b>Total income from transactions</b>		<b>43,394,325</b>	<b>37,893,397</b>

Income is recognised to the extent it is probable the economic benefits will flow to the VCGLR and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which the VCGLR does not have control are disclosed as administered items (see Note 4.1).

### 2.2 Grants

**Grant income** arises from transactions in which a party provides goods or assets (or extinguishes a liability) to the VCGLR without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For non-reciprocal grants, the VCGLR recognises revenue when the grant is receivable or received.

Grant income is recognised as received from the DJCS when the VCGLR delivers the required outputs in accordance with specified performance criteria.

**Specific purpose grants** arise from transactions authorised for specific purposes such as grants received to refund applications fee received under Administrative items. Income related to special appropriations is recognised when the amount appropriated for that purpose is due and payable by the VCGLR.

In 2018-19, the VCGLR received \$4.3m in special appropriations from DJCS for refunding deposits and payments. The payments and refunds against the specific purpose grants are recognised under other operating expenses (see Note 3.2).

### **Annotated income agreements**

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 and supply of responsible service of alcohol printed materials to the registered training organisations in Victoria.

During the reporting period, the VCGLR received \$0.748m in annual grant under section 29 of the FMA agreement (2018: \$0.696m).

### **Summary of compliance with grant funding**

The following table discloses the details of the grant revenue received by the VCGLR for the year.

	Grant funding advice \$	Funding available \$	Funding applied \$
<b>2019</b>			
Grant revenue - provision for outputs	39,140,990	39,140,990	39,140,990
Specific purpose grants	4,253,335	4,253,335	4,253,335
<b>Total funding</b>	<b>43,394,325</b>	<b>43,394,325</b>	<b>43,394,325</b>
<b>2018</b>			
Grant revenue - provision for outputs	37,893,397	37,893,397	37,893,397
<b>Total funding</b>	<b>37,893,397</b>	<b>37,893,397</b>	<b>37,893,397</b>

### 3. COST OF DELIVERING SERVICES

#### Introduction

This section provides an account of the expenses incurred by the VCGLR in delivering services and outputs. In section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

#### 3.1 Expenses incurred in delivery of services

	Notes	2019 \$	2018 \$
Employee expenses	3.1.1	26,835,642	24,936,907
Other operating expenses	3.2	14,113,790	10,598,940
<b>Total expenses incurred in delivery of services</b>		<b>40,949,432</b>	<b>35,535,847</b>

#### 3.1.1 Employee benefits in the comprehensive operating statement

	2019 \$	2018 \$
<b>Employee expenses</b>		
Salaries and wages, annual leave and long service leave	23,438,913	22,093,112
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	1,239,750	1,118,350
Superannuation	2,130,980	1,698,648
Termination benefits	25,999	26,797
<b>Total employee expenses</b>	<b>26,835,642</b>	<b>24,936,907</b>

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

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 Department of Treasury and Finance (DTF) in its Annual Financial Statements discloses 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 DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the VCGLR is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

### 3.1.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2019 \$	2018 \$
<b>Current provisions</b>		
<b>Employee benefits – annual leave<sup>(i)</sup></b>		
Unconditional and expected to settle within 12 months	1,667,537	1,586,868
Unconditional and expected to settle after 12 months <sup>(ii)</sup>	231,779	222,526
<b>Employee benefits – long service leave<sup>(i)</sup></b>		
Unconditional and expected to settle within 12 months	386,871	279,153
Unconditional and expected to settle after 12 months <sup>(ii)</sup>	3,110,512	2,927,053
<b>Provisions relating to employee benefit on-costs</b>		
Unconditional and expected to settle within 12 months	282,087	255,930
Unconditional and expected to settle after 12 months <sup>(ii)</sup>	522,635	489,283
<b>Total current provisions</b>	<b>6,201,422</b>	<b>5,760,813</b>
<b>Non-current provisions</b>		
Employee benefits - annual leave and long service leave <sup>(i)</sup>	969,743	705,941
Employee benefit on-costs	152,618	110,422
<b>Total non-current provisions</b>	<b>1,122,361</b>	<b>816,363</b>
<b>Total provisions</b>	<b>7,323,783</b>	<b>6,577,176</b>

**Notes:**

(i) 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.

(ii) Amounts are measured at present values.

### Reconciliation of movement in on-cost provision

	2019 \$	2018 \$
<b>Opening balance</b>	<b>855,635</b>	<b>859,457</b>
Additional provisions recognised	401,855	300,976
Reductions arising from payments/other sacrifices of future economic benefits	(300,150)	(304,799)
<b>Closing balance</b>	<b>957,340</b>	<b>855,635</b>
Current	804,722	745,213
Non-current	152,618	110,422
<b>Total employee benefits related on-costs</b>	<b>957,340</b>	<b>855,635</b>

**Notes:**

(i) The 2018 comparative has been adjusted to correct an error in reconciliation.

**Wages and salaries, annual leave and sick leave:** Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefits provision as current liabilities because the VCGLR does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the VCGLR expects the liabilities to be wholly settled within 12 months of the reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the VCGLR does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Comprehensive operating statement as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

**Unconditional LSL** is disclosed 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:

- undiscounted value – if the VCGLR expects to wholly settle within 12 months  
or
- 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 is measured at the 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 interest rates for which it is then recognised as an 'other economic flow' in the net result.

### 3.1.3 Superannuation contributions

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 benefit(s) based on years of service and final average salary.

As noted before, the defined benefit liability is recognised in DTF as an administered liability. 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.

	Paid contribution for year end		Contribution outstanding at year end	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Defined benefit plans<sup>(i)</sup>:</b>				
Emergency Services and State Super	211,341	215,414	5,022	4,881
<b>Defined contribution plans:</b>				
VicSuper	1,135,513	1,096,433	23,762	21,445
Various other	738,427	236,503	16,917	14,144
<b>Total</b>	<b>2,085,281</b>	<b>1,548,350</b>	<b>45,700</b>	<b>40,470</b>

Notes:

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

### 3.2 Other operating expenses

	2019	2018
	\$	\$
<b>Supplies and services</b>		
Payments and refunds against specific purpose grants	4,253,335	0
IT Licence and maintenance	2,646,584	2,249,984
Professional services	2,344,579	3,674,090
Occupancy costs	2,908,645	2,708,670
Postage and advertising	128,431	134,883
Printing, stationery and office requisites	403,544	400,572
Training and development	295,004	183,301
Motor vehicle running costs	355,824	377,456
Telephone and other communication expenses	113,254	192,548
Travel and related expenses	98,601	167,279
Other	565,989	510,157
<b>Total Other operating expenses</b>	<b>14,113,790</b>	<b>10,598,940</b>

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and payments against specific purpose grants received from the DJCS. Supplies and services are recognised as an expense in the reporting period in which they are incurred.

## 4. FINANCIAL INFORMATION ADMINISTERED ITEMS

### 4.1 Administered items

On behalf of the Government, the VCGLR collects revenue amounts 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. 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. Both controlled and administered items of the VCGLR are consolidated into the financial statements of the State.

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.

The cost relating to the collection and accounting for the administered revenue is met via the annual grant funding provided by the DJCS.

#### **Collection of revenue on behalf of Government**

Revenue collected on behalf of Government 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**

The premium payment of \$120 million for the public lottery licence was received on 29 June 2018 from Tatts Group Limited is to be recognised over 10 years unless surrendered or cancelled earlier in accordance with the *Gambling Regulation Act 2003*. The licence became operational on 1 July 2018, of which \$108 million is recognised as unearned income as at 30 June 2019 (2018: \$120 million).

#### **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 \$17 million is recognised as unearned income as at 30 June 2019 (2018: \$23 million).

#### **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 \$173.7 million is recognised as unearned income as at 30 June 2019 (2018: \$207.8 million).

Effective from 1 January 2019, Point of Consumption Tax (POCT) replaced wagering and betting tax. POCT applies at a rate of 8 per cent of the net wagering revenue derived from all wagering and betting activities by customers located in Victoria.

It has been operational since 1 January 2019 and State Revenue Office is now responsible for the administration of the POCT, which includes the collection of the tax and undertaking compliance activities.

#### **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 \$292.7 million as at 30 June 2019 (2018: \$386.4 million).

Following the allocation on the EGM Entitlements Post 2022 during 2018-19, a total of \$106 million has been received for first and second instalment as at 30 June 2019. All instalments received in advance will remain unearned income until August 2022.

## 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 respects 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 the difference to the State. During the period ended 30 June 2018, 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 contingent payment linked to the \$35 million minimum tax guarantee, 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 per cent, then Crown will pay to the State an amount of \$100 million, 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 per cent, then the Crown will pay to the State, in addition to the amount above, a further amount of \$100 million, and
  - \$250 million on 1 July 2033.

The contingent payment linked to compound annual growth in gaming revenue exceeding 4.0 per cent 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 by comparison of the original revenue modelling against the actual revenues over the years of the agreement.

The unearned income recognised is \$378 million as at 30 June 2019 (2018: \$403.8 million).

As at 30 June 2019, a total of \$1,075.4 million is recognised as unearned income by the VCGLR (2018: \$1,192.4 million).

## Transactions on behalf of Government

	2019 \$'000	2018 \$'000
<b>Income</b>		
<b>Amounts collected/receivable on behalf of Government</b>		
Appropriations-Payments made on behalf of the State	36,000	28,976
Gaming Taxation	1,023,376	1,020,851
Licence Fees	574	623
Minor Gaming	21	18
Keno	11,317	11,591
Casino Taxation and Licence Fees	240,995	221,878
Racing Taxation and Licence Fees	8,363	16,223
Tattersall's Lotteries	547,464	440,024
Tabcorp Supervision Fee	2,131	2,251
Tattersall's Supervision Fee	830	1,025
Venue Operators Supervision Fees	5,053	5,492
Lottery Premium Payment	12,000	3,524
Liquor Licence and Application Fees	2,505	2,496
Gambling Venue Licence Fees	96,927	93,664
Wagering and Betting Taxation and Licence Fees	53,707	71,869
Miscellaneous	10,722	12,150
<b>Total amount collected/receivable</b>	<b>2,051,984</b>	<b>1,932,655</b>
<b>Expenses</b>		
<b>Amounts paid/payable on behalf of Government</b>		
Payments made to other jurisdictions	(36,000)	(28,976)
Payments to consolidated fund	(1,892,367)	(1,933,854)
Bad and doubtful debts	0	(296)
<b>Total amount paid/payable</b>	<b>(1,928,367)</b>	<b>(1,963,126)</b>
<b>Other economic flows</b>		
Net gain/(loss) on financial assets	(162)	441
<b>Total other economic flows</b>	<b>(162)</b>	<b>441</b>
<b>Total amount paid/payable including economic flows</b>	<b>(1,928,530)</b>	<b>(1,962,685)</b>
<b>Net Result from transactions (net operating balance)</b>	<b>123,454</b>	<b>(30,030)</b>
<b>Assets</b>		
<b>Current Assets</b>		
Receivables	162,807	154,474
<b>Total current assets</b>	<b>162,807</b>	<b>154,474</b>
<b>Non-Current Assets</b>		
Receivables	224,289	229,749
<b>Total non-current assets</b>	<b>224,289</b>	<b>229,749</b>
<b>Total assets</b>	<b>387,094</b>	<b>384,224</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Unearned income	158,590	158,351
Payables	3,943	7,563
<b>Total current liabilities</b>	<b>162,533</b>	<b>165,914</b>
<b>Non-current liabilities</b>		
Unearned income	916,872	1,034,074
<b>Total non-current liabilities</b>	<b>916,872</b>	<b>1,034,074</b>
<b>Total liabilities</b>	<b>1,079,405</b>	<b>1,199,988</b>
<b>Net Assets</b>	<b>(692,311)</b>	<b>(815,765)</b>
<b>Equity</b>	<b>(692,311)</b>	<b>(815,765)</b>

## 5. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

### Introduction

The VCGLR controls assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the VCGLR to be utilised for delivery of those outputs.

### 5.1 Leasehold improvements, plant, equipment and vehicles

	2019 \$	2018 \$
<b>Leasehold improvements</b>		
At Fair value	6,520,522	6,513,262
Less: Accumulated amortisation	(5,437,119)	(4,520,116)
	<b>1,083,403</b>	<b>1,993,146</b>
<b>Computer and communication equipment</b>		
At Fair value	1,223,480	1,011,015
Less: Accumulated depreciation	(838,010)	(632,931)
	<b>385,470</b>	<b>378,084</b>
<b>Plant, equipment and vehicles</b>		
At Fair value	716,064	564,193
Less: Accumulated depreciation	(285,449)	(252,236)
	<b>430,615</b>	<b>311,957</b>
<b>Capital work in progress</b>		
At Cost	51,000	0
	<b>51,000</b>	<b>0</b>
<b>Total Leasehold improvements, equipment, vehicles and capital work in progress</b>		
At Fair value	8,511,066	8,088,470
Less: Accumulated depreciation	(6,560,578)	(5,405,283)
<b>Net carrying amount of property, plant and equipment</b>	<b>1,950,488</b>	<b>2,683,187</b>

### Initial recognition

Items of property, plant and equipment (PPE), are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

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 in the borrowings category.

Leased assets under finance leases primarily relate to leases of motor vehicles and are amortised over the term of these contracts.

## Subsequent measurement

PPE are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

**Building leasehold improvements** and **plant and equipment** are valued using the depreciated replacement cost method.

**Leased vehicles** are valued using the depreciated replacement cost method. The VCGLR acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in DTF who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Fair value for plant and equipment that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the depreciated replacement cost method.

Refer to Note 8.3 for additional information on fair value determination of property, plant and equipment.

### 5.1.1 Depreciation and impairment

#### Charge for the period

	2019	2018
	\$	\$
<b>Depreciation of leasehold improvements, plant, equipment and vehicles</b>		
Computer and communication equipment	211,578	173,313
Plant, equipment & motor vehicles	19,891	36,391
<b>Amortisation expense</b>		
Leasehold improvements-office fit-out	917,004	888,760
Leased vehicles	85,804	66,415
Internal-use software	1,210,575	1,129,973
<b>Total depreciation and amortisation expense</b>	<b>2,444,851</b>	<b>2,294,852</b>

All assets that have finite useful lives are depreciated. The exceptions to this rule include items under operating leases, assets held for sale, and capital work in progress.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset Class	Useful life (in years)
Building leasehold improvements-office fit out	7.6
Plant, equipment and vehicles:	
• Office equipment	8
• Vehicles including finance leased vehicle	3
Computer and communication equipment	4
Intangibles	8

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

As noted before, leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

In the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced (unless a specific decision to the contrary has been made).

### Impairment

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their 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 it can be debited to an asset revaluation surplus amount applicable to that class of asset.

There were no indications of impairment during 2018-19.

#### 5.1.2 Carrying values by 'purpose group'

#### Classification by Purpose Group 'Public safety and environment'<sup>(i)</sup> - Movements in carrying amounts:

	Leasehold Improvements at fair value		Computer and Communication Equipment at fair value		Plant, equipment & vehicles at fair value		Capital work in progress at cost		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
<b>Opening balance</b>	1,993,146	2,688,744	378,084	426,355	311,957	371,015	0	132,436	2,683,187	3,618,550
Additions	7,260	60,726	218,965	125,042	297,836	43,748	51,000	0	575,061	229,516
Capitalisation from capital work in progress	0	132,436	0	0	0	0	0	(132,436)	0	0
Disposals	0	0	0	0	(40,980)	0	0	0	(40,980)	0
Transfer to disposal group held for sale	0	0	0	0	(32,503)	0	0	0	(32,503)	0
Depreciation and amortisation expense	(917,004)	(888,760)	(211,578)	(173,313)	(105,695)	(102,806)	0	0	(1,234,277)	(1,164,879)
<b>Closing balance</b>	<b>1,083,402</b>	<b>1,993,146</b>	<b>385,471</b>	<b>378,084</b>	<b>430,615</b>	<b>311,957</b>	<b>51,000</b>	<b>0</b>	<b>1,950,488</b>	<b>2,683,187</b>

**Note:**

(i) Leasehold improvements, Computer and Communication Equipment, 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, Computer and Communication Equipment, plant, equipment and vehicles, etc.), with each sub category being classified as a separate class of asset for financial reporting purposes.

## 5.2 Intangible assets

	Intangibles		Capital work in progress		Total	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>	5,461,230	5,486,861	286,981	375,914	5,748,211	5,862,775
Additions	0	0	1,020,729	1,015,409	1,020,729	1,015,409
Capitalisation from capital work in progress	703,467	1,104,342	(703,467)	(1,104,342)	0	0
Disposals	0	0	0	0	0	0
Amortisation expense <sup>(i)</sup>	(1,210,575)	(1,129,973)	0	0	(1,210,575)	(1,129,973)
<b>Net book value at end of financial year</b>	<b>4,954,122</b>	<b>5,461,230</b>	<b>604,243</b>	<b>286,981</b>	<b>5,558,365</b>	<b>5,748,211</b>

### Note:

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

(ii) The VCGLR intangible assets include purchased and internally-generated computer software.

### Initial recognition

**Purchased intangible** assets are all computer software assets and are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and 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.

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

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

Expenditure incurred on internally-generated intangible assets 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
- 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.

### Subsequent measurement

Internally-generated intangible assets with finite useful lives are amortised as an 'expense from transactions' on a straight-line basis over their useful lives.

### Impairment

Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired. There were no indications of asset impairment during 2018-19.

## 6. OTHER ASSETS AND LIABILITIES

### Introduction

This section sets out those assets and liabilities that arose from the VCGLR's operations.

### 6.1 Receivables

	2019	2018
	\$	\$
<b>Current receivables</b>		
<b>Contractual</b>		
Receivables	30,429	32,368
<b>Statutory</b>		
Amounts owing from the DJCS <sup>(i)</sup>	8,938,858	8,351,906
GST Input tax credits recoverable	125,914	122,681
<b>Total current receivables</b>	<b>9,095,201</b>	<b>8,506,955</b>
<b>Non-current receivables</b>		
<b>Statutory</b>		
Amounts owing from the DJCS <sup>(i)</sup>	1,122,361	816,363
<b>Total non-current receivables</b>	<b>1,122,361</b>	<b>816,363</b>
<b>Total receivables</b>	<b>10,217,562</b>	<b>9,323,318</b>

#### Note:

(i) The amounts recognised from the DJCS represent funding for all commitments incurred through the grant and are drawn down from the Consolidated Fund as the commitments fall due.

**Contractual receivables** are classified as financial instruments and categorised as 'receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

**Doubtful debts:** Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

Receivables have an average credit period of 30 days and are received within the terms. There are no material financial assets that are individually determined to be impaired. 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.

The VCGLR has no controlled entity doubtful debts at the end of the reporting period.

## 6.2 Payables

	2019	2018
	\$	\$
<b>Contractual</b>		
Creditors	57,573	616,283
Accrued wages and salaries	562,323	497,004
Accrued expenses	1,215,907	1,138,990
<b>Total payables</b>	<b>1,835,803</b>	<b>2,252,277</b>

**Contractual payables** are classified as financial instruments and categorised as financial liabilities at amortised cost.

**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.

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. Payables for supplies and services have an average credit period of 30 days and are paid within credit terms. There are no material payables that are determined to be impaired.

## 6.3 Prepayments

Prepayments 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.

## 7. FINANCING OUR OPERATIONS

### Introduction

This section provides information on the sources of finance utilised by the VCGLR during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the VCGLR.

This section includes disclosures of balances that are financial instruments (such as leases and cash balances). Notes 8.1 and 8.3 provide additional, specific financial instrument disclosures.

**Borrowings** refer to interest-bearing liabilities and are classified as financial instruments. All interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the VCGLR has categorised its interest-bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest-bearing liabilities.

Borrowings at the VCGLR relate to motor vehicle leases and the VCGLR determines the classification of its motor vehicle leases at initial recognition.

**Interest expense** refers to the interest component of finance leases repayments. Interest expense is recognised in the period in which it is incurred. The lease interest expense is included in note 3.2 under the category other.

### 7.1 Leases

	Minimum future lease payments <sup>(i)</sup>		Present value of minimum future lease payments	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Other related finance lease liabilities payable</b>				
Not longer than 1 year	184,245	113,335	0	0
Longer than 1 year and not longer than 5 years	213,481	172,387	0	0
Longer than 5 years	0	0		
<b>Minimum future lease payments</b>	<b>397,726</b>	<b>285,722</b>	<b>0</b>	<b>0</b>
Less future finance charges	(15,043)	(9,751)	0	0
Present value of minimum lease payments	<b>382,683</b>	<b>275,971</b>	<b>0</b>	<b>0</b>
<b>Represented by:</b>				
Current lease liabilities			176,541	105,949
Non-current lease liabilities			206,142	170,022
			<b>382,683</b>	<b>275,971</b>

**Note:**

(i) Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

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

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

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 incentives nature or the form or 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.

### **Maturity analysis of leases**

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
<b>2019</b>						
Finance lease liabilities	382,683	397,726	80,206	54,504	49,535	213,481
<b>Total</b>	<b>382,683</b>	<b>397,726</b>	<b>80,206</b>	<b>54,504</b>	<b>49,535</b>	<b>213,481</b>
<b>2018</b>						
Finance lease liabilities	275,971	285,721	6,882	13,766	92,687	172,386
<b>Total</b>	<b>275,971</b>	<b>285,721</b>	<b>6,882</b>	<b>13,766</b>	<b>92,687</b>	<b>172,386</b>

**Note:**

- (i) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).
- (ii) Maturity analysis is presented using the contractual undiscounted cash flows.

### **7.2 Cash flow information and balances**

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand and in banks, as indicated in the reconciliation below.

	2019 \$	2018 \$
Cash and cash equivalents	777,478	736,305
<b>Balance as per Cash Flow Statement</b>	<b>777,478</b>	<b>736,305</b>

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.

### 7.2.1 Reconciliation of net result for the period to cash flow from operating activities

	2019 \$	2018 \$
<b>Net result for the period</b>	<b>(466,148)</b>	<b>55,547</b>
<b>Non-cash movements:</b>		
Depreciation and amortisation of non-current assets	2,444,851	2,294,852
(Gain)/loss on sale or disposal of non-current assets	(178)	0
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	(894,245)	(1,113,836)
(Increase)/decrease in other non-financial assets	42,462	(157,067)
Increase/(decrease) in payables	(416,474)	138,347
Increase/(decrease) in provisions	746,606	94,935
<b>Net cash flows from/(used in) operating activities</b>	<b>1,456,876</b>	<b>1,312,778</b>

### 7.2.2 Non-cash financing and investing activities

During the reporting period, VCGLR acquired motor vehicles through a finance lease arrangement to the value of \$267k (2018: \$51k).

### 7.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

#### 7.3.1 Total commitments payable

	Operating Leases		Capital		Operating Commitments		Total	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
<b>Operating, capital and lease commitments</b>								
Payable <sup>(i)</sup>								
Less than one year	2,438,580	2,523,962	0	51,164	1,937,043	1,257,515	4,375,623	3,832,641
Longer than one year and not longer than five years	401,378	2,894,749	0	0	635,213	1,511,585	1,036,590	4,406,334
Five years or more	0	0	0	0	0	0	0	0
<b>Total operating, capital and lease commitments</b>	<b>2,839,958</b>	<b>5,418,711</b>	<b>0</b>	<b>51,164</b>	<b>2,572,255</b>	<b>2,769,100</b>	<b>5,412,214</b>	<b>8,238,975</b>

**Note:**

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

(i) 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.

## 8. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

### **Introduction**

The VCGLR is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with the recognition and measurement of items in the financial statements. This section sets out financial instrument-specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the VCGLR related mainly to fair value determination.

### **8.1 Financial instruments specific disclosures**

#### **Introduction**

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 (for example taxes, fines and penalties). Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments* (AASB 132): *Presentation*.

Guarantees issued on behalf of the VCGLR are financial instruments because, although authorised under the statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

From 1 July 2018, the VCGLR applies AASB 9 *Financial Instruments* (AASB 9) and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

#### **Categories of financial assets under AASB 9**

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the VCGLR to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The VCGLR recognises the following assets in this category: cash and deposits, trade receivables, loans and other receivables (excluding statutory receivables).

#### **Categories of financial assets previously under AASB 139**

**Loans and receivables and cash** are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities 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.

The VCGLR recognises the following assets in this category: cash and deposits, trade receivables, loans and other receivables (excluding statutory receivables).

#### **Categories of financial liabilities under AASB 9 and previously under AASB 139**

**Financial liabilities at amortised cost** 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.

The VCGLR recognises the following liabilities in this category:

- contractual payables (excluding statutory payables)
- borrowings (including finance lease liabilities).

**Reclassification of financial instruments:** Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the VCGLR's business model for managing its financial assets changes such that its previous model would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

### 8.1.1 Financial instruments: Categorisation

	Cash and cash equivalents \$	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
<b>2019</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	777,479	0	0	777,479
Receivables <sup>(i)</sup>	0	30,429	0	30,429
<b>Total contractual financial assets</b>	<b>777,479</b>	<b>30,429</b>	<b>0</b>	<b>807,908</b>
<b>Contractual financial liabilities</b>				
Payables <sup>(i)</sup>	0	0	1,835,803	1,835,803
<b>Borrowings</b>				
Finance lease liabilities	0	0	382,683	382,683
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>0</b>	<b>2,218,485</b>	<b>2,218,485</b>
<b>2018</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	736,305	0	0	736,305
Receivables <sup>(i)</sup>	0	32,368	0	32,368
<b>Total contractual financial assets</b>	<b>736,305</b>	<b>32,368</b>	<b>0</b>	<b>768,673</b>
<b>Contractual financial liabilities</b>				
Payables <sup>(i)</sup>	0	0	2,252,277	2,252,277
<b>Borrowings</b>				
Finance lease liabilities	0	0	275,971	275,971
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>0</b>	<b>2,528,248</b>	<b>2,528,248</b>

Note:

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

### 8.1.2 Financial instruments – Net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss) \$	Total interest income/(expense) \$	Fees income/(expense) \$	Total \$
<b>2019</b>				
<b>Contractual financial liabilities</b>				
Financial Liabilities at amortised cost	0	11,444	0	11,444
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>11,444</b>	<b>0</b>	<b>11,444</b>
<b>2018</b>				
<b>Contractual financial liabilities</b>				
Financial Liabilities at amortised cost	0	8,854	0	8,854
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>8,854</b>	<b>0</b>	<b>8,854</b>

The net holding gains or losses disclosed above are determined as follows:

- for financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus losses arising from the revaluation of the financial assets, and minus any impairment recognised in the net result
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus losses arising from the revaluation of financial liabilities measured at amortised cost.

### 8.1.3 Financial risk management objectives and policies

As a whole, the VCGLR's financial risk management program seeks to manage the risks and the associated volatility of its financial performance.

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 above are disclosed in Note 8.3 to the financial statements.

The main purpose of holding financial instruments is to prudentially manage the VCGLR's financial risks within the government policy parameters.

#### Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. 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 counterparty on their contractual obligations resulting in a 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 VCGLR only deals with financial institutions with higher credit ratings.

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.

There has been no material change to the VCGLR's credit risk profile in 2018-19.

#### 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>2019</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	777,479	0	0	777,479
Receivables <sup>(i)</sup>	0	0	30,429	30,429
<b>Total contractual financial assets</b>	<b>777,479</b>	<b>0</b>	<b>30,429</b>	<b>807,908</b>
<b>2018</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	736,305	0	0	736,305
Receivables <sup>(i)</sup>	0	0	32,368	32,368
<b>Total contractual financial assets</b>	<b>736,305</b>	<b>0</b>	<b>32,368</b>	<b>768,673</b>

**Note:**

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

### ***Impairment of financial assets under AASB 9 – applicable from 1 July 2018***

From 1 July 2018, AASB 9's Expected Credit Loss (ECL) approach replaces AASB 139's incurred loss approach. Subject to AASB 9 impairment assessment include the VCGLR's receivables. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The VCGLR applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about the risk of default and expected loss rates. The VCGLR has grouped contractual receivables on shared credit risk characteristics and days past due and selects the expected credit loss rate based on the VCGLR's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

On this basis, the VCGLR determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at the end of the financial year. In 2018-19, no ECL was recognised as the assessment indicates zero per cent probability of default for the VCGLR contractual financial assets.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

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.

### ***Financial instruments: 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.

### ***Financial instruments: 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 a standardised form.

### ***Interest rate risk***

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The VCGLR does not hold any interest-bearing financial instruments that are measured at fair value and therefore has no exposure to fair value interest rate risk.

## 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>2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.6	777,479	0	777,479	0
Receivables <sup>(i)</sup>	N/A	30,429	0	0	30,429
<b>Total financial assets</b>		<b>807,908</b>	<b>0</b>	<b>777,479</b>	<b>30,429</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	N/A	1,835,803	0	0	1,835,803
<b>Borrowings</b>					
Finance lease liabilities	3.3	382,683	382,683	0	0
<b>Total financial liabilities</b>		<b>2,218,485</b>	<b>382,683</b>	<b>0</b>	<b>1,835,803</b>
<b>2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.5	736,305	0	736,305	0
Receivables <sup>(i)</sup>	N/A	32,368	0	0	32,368
<b>Total financial assets</b>		<b>768,673</b>	<b>0</b>	<b>736,305</b>	<b>32,368</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	N/A	2,252,277	0	0	2,252,277
<b>Borrowings</b>					
Finance lease liabilities	3.3	275,971	275,971	0	0
<b>Total financial liabilities</b>		<b>2,528,248</b>	<b>275,971</b>	<b>0</b>	<b>2,252,277</b>

**Note:**

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

## 8.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity
- or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
- or
- the amount of obligations cannot be measured with sufficient reliability.

	2019 \$	2018 \$
<b>Contingent liabilities</b>		
Make good <sup>(i)</sup>	405,760	331,646
Claims and compensation for termination of agreement <sup>(ii)</sup>	78,054	0
<b>Total contingent liabilities</b>	<b>483,814</b>	<b>331,646</b>

**Notes:**

- (i) The VCGLR's office accommodation lease terms of 10 years expires 31 August 2020. The make good liability is contingent upon the VCGLR vacating leased premises.
- (ii) The VCGLR had received potential claims for compensation. The extent to which an outflow of funds will be required is dependent on the future negotiations and should the matter go to court, the VCGLR will defend the actions.
- (iii) The VCGLR had no contingent assets for the years covered by this report.

### 8.3 Fair value determination

This section sets out information on how the VCGLR determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

#### Fair value hierarchy

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy.

The levels are as follows:

- 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
- 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.

#### How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- which level of the fair value hierarchy was used to determine the fair value
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  - a reconciliation of the movements in fair values from the beginning of the year to the end
  - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note 8.3.1) and non-financial physical assets (refer to Note 8.3.2).

### 8.3.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The VCGLR currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2018-19 reporting period.

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.

### 8.3.2 Fair value determination: Non-financial physical assets

**Building leasehold improvements-office fit-out, computer and communication equipment, plant and equipment and vehicles** are held at fair value and classified as level 3 of the fair value measurement hierarchy. When building leasehold improvements-office fit-out and plant and equipment are 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 2019.

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

#### **Description of significant unobservable inputs to Level 3 valuations**

2019 and 2018	Valuation technique	Significant unobservable inputs
Building Leasehold Improvements-office fit out	Depreciated replacement cost	Direct cost per square metre (Office fit-out was transferred from DJCS in February 2013) Term of the lease
Computer and communication equipment	Depreciated replacement cost	Cost per unit Useful life of computer and communication equipment
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 remained unchanged from 2018. There were no changes in valuation techniques throughout the period to 30 June 2019.

## 9. OTHER DISCLOSURES

### Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### 9.1 Ex-gratia expenses

As at 30 June 2019 the VCGLR had not made any ex-gratia payments (2018: nil).

### 9.2 Other economic flows included in the net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the net gains or losses on non-financial assets and gains or losses from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

### 9.3 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:

<b>Responsible Minister – Minister for Consumer Affairs, Gaming and Liquor Regulation.</b>	
The Hon. Marlene Kairouz, MP	1 July 2018 to 30 June 2019
<b>Responsible Minister – Acting Minister for Consumer Affairs, Gaming and Liquor Regulation</b>	
The Hon. Lisa Neville, MP	1 January 2019 to 20 January 2019
<b>Commission Members:</b>	
Mr Ross Kennedy, PSM (Chairperson)	1 July 2018 to 30 June 2019
Ms Helen Versey (Deputy Chairperson)	1 July 2018 to 30 June 2019
Ms Deirdre O'Donnell (Deputy Chairperson)	1 July 2018 to 30 June 2019
Dr Dina McMillan (Commissioner)	1 July 2018 to 30 June 2019
<b>Accountable Officer – Chief Executive Officer</b>	
Ms Catherine Myers (Chief Executive Officer)	1 July 2018 to 30 June 2019
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	13 September 2018 to 30 September 2018
Mr Michael Everett (Acting Chief Executive Officer)	2 January 2019 to 11 January 2019
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	22 February 2019 to 8 March 2019

#### Commissioners and Accountable Officer

Remuneration received or receivable by members of the Commission and the Accountable Officer in connection with the management of the VCGLR during the reporting period.

Income Band	2019 \$	2018 \$
\$120,000 - \$129,999	1	2
\$140,000 - \$149,999	2	2
\$170,000 - \$179,999	0	1
\$180,000 - \$189,999	1	0
\$280,000 - \$289,999	1	1
<b>Total numbers<sup>(i)</sup></b>	<b>5</b>	<b>6</b>
<b>Total amount<sup>(ii)</sup></b>	<b>885,681</b>	<b>1,001,785</b>

#### Note:

- (i) The number and amount received or receivable by the Responsible persons and Accountable Officer are based on FRD 21C.
- (ii) The total number of responsible persons includes persons who meet the definition of Key Management Personnel of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.5).
- (iii) Mr Des Powell AM, a responsible person in 2018, became a sessional Commissioner in 2019 and the role does not meet the Responsible Person criteria set under FRD 21C for the reporting period.

## 9.4 Remuneration of executives

The number of executive officers, other than the minister and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full-time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

**Short-term employee benefits** include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

**Post-employment benefits** include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Other long-term benefits** include long service leave, other long service benefits or deferred compensation.

**Termination benefits** include termination of employment payments, such as severance packages.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and a number of executive officers resigned or were retrenched in the past year. This had a significant impact on the total remuneration figure and total number.

Remuneration of executive officers (including Key Management Personnel disclosed in Note 9.5)	Total remuneration	
	2019 \$	2018 \$
Short-term employee benefits	931,073	1,025,870
Post-employment benefits	92,618	97,425
Other long-term benefits	22,967	14,195
Termination benefits	98,484	0
<b>Total remuneration</b>	<b>1,145,142</b>	<b>1,137,489</b>
<b>Total number of executives<sup>(i)</sup></b>	<b>7.00</b>	<b>6.00</b>
<b>Total annualised employee equivalents (AEE)<sup>(ii)</sup></b>	<b>4.97</b>	<b>5.52</b>

**Note:**

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.5).

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

(iii) The 2018 comparative has been adjusted to correct exclusion of a fixed term executive due to interpretation of FRD21C and AASB 124.

There were no payments made to contractors in executive roles.

## 9.5 Related parties

The VCGLR is a wholly owned and controlled entity of the State of Victoria.

Related parties of the VCGLR include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all cabinet ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

### **Significant transactions with government-related entities**

The VCGLR received funding from DJCS of \$42.4 million (2018: \$37.8 million) and made payments to the Consolidated Fund of \$1,892.4 million (2018: \$1,933.8 million). The payments to the Consolidated Fund relates to the collection of gambling and liquor taxation and licence fees.

**Key management personnel** of the VCGLR includes the Portfolio Ministers, the Hon. Marlene Kairouz MP, the VCGLR Chairperson and Commissioners, Chief Executive Officer and Director Corporate Services and Chief Finance Officer.

**Key Management Personnel** *Position title*

Mr Ross Kennedy, PSM	Chairperson
Ms Helen Versey	Deputy Chairperson
Ms Deirdre O'Donnell	Deputy Chairperson
Dr Dina McMillan	Commissioner
Ms Catherine Myers	Chief Executive Officer
Mr Michael Everett	Director Corporate Services and Chief Finance Officer

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Department of Parliamentary Services' Financial Report.

Compensation of Key Management Personnel	2019 \$	2018 \$
Short-term employee benefits	1,020,300	1,124,297
Post-employment benefits	90,601	100,305
Other long-term benefits	11,874	11,641
<b>Total<sup>(i)</sup></b>	<b>1,122,775</b>	<b>1,236,243</b>

**Note:**

(i) Note that Key Management Personnel's are also reported in the disclosure of remuneration of the responsible persons (note 9.3) and executive officers (Note 9.4).

**Transactions and balances with key management personnel and other related parties**

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occurs on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the VCGLR, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

**9.6 Remuneration of auditors**

	2019 \$	2018 \$
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	142,000	138,500
<b>Total remuneration of auditors</b>	<b>142,000</b>	<b>138,500</b>

**9.7 Subsequent events**

The financial statements for the VCGLR are prepared for the period ended 30 June 2019. As at the date of signing, there are no events subsequent to the balance date which would have a significant impact on the financial position of the VCGLR.

## 9.8 Other accounting policies

### Contributions by owners

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the VCGLR.

### 9.9 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after 1 July 2019:

- AASB 16 *Leases*
- AASB 15 *Revenue from Contract with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*.

### Leases

AASB 16 *Leases* replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-Of-Use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below \$10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the RoU asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. The VCGLR intends to adopt AASB 16 in 2019-20 financial year when it becomes effective.

The VCGLR will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under AASB 117. The VCGLR will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low-value leases (deemed to be below \$10,000).

In addition, AASB 2018-8 – *Amendments to Australian Accounting Standards – Right-of-Use Assets (RoU) of Not-for-Profit Entities* allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since further guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. The VCGLR intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost).

The VCGLR's office accommodation lease term of 10 years expires on 31 August 2020. The VCGLR is currently considering options in consultation with the DTF shared services provider and no decision has been made. Exercising extension options of two further terms of five years on the current lease will increase RoU asset of \$20.4m and an equivalent lease liability.

## **Revenue and Income**

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the 'not-for-profit' sector in Australia, the AASB also released the following standards and guidance:

- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian implementation guidance for NFP entities* (AASB 2016-8), to provide guidance on the application of revenue recognition principles under AASB 15 in the not-for-profit sector.
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors* (2018-4), to provide guidance on how to distinguish payments receive in connection with the access to an asset (or other resource) or to enable other parties to perform activities as tax and non-IP licence. It also provides guidance on the timing of revenue recognition for non-IP licence payments.
- AASB 1058 *Income of Not-for-Profit Entities*, to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within AASB 1004 *Contributions*.

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The VCGLR intends to adopt these standards in 2019-20 financial year when it becomes effective.

The VCGLR will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

The DTF is reviewing accounting policy and assessing the impact of AASB 15 and AASB 1058 on gaming and casino licences.

## **9.10 Glossary of technical terms and style conventions**

The following is a summary of the major technical terms used in this report.

### **Amortisation**

Amortisation is the expense which results from the consumption, extraction or use overtime 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 benefits (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 an 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
- 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 the 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, computer and communication equipment, 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 the 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 the 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 include the sale of goods and services income.



### ***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 2018-19 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.

### ***Supplies and services***

Supplies and services generally represent the 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.





Victorian Commission for  
Gambling and Liquor Regulation

