



Victorian Commission for  
Gambling and Liquor Regulation

**Annual Report 2014–15**

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All graphs and charts sourced from VCGLR unless otherwise specified.  
Data provided in this report is as at August 2015.

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## Letter to the Minister

The Hon Jane Garrett MP  
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 June 2015 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



Dr Bruce Cohen  
Chair

## Message from the Chair and Chief Executive Officer

This year the Victorian Commission for Gambling and Liquor Regulation (VCGLR) has focused on embedding its regulatory approach and finalising much of the strategic work envisioned during our establishment phase.

We reviewed our progress against our 2012–15 Strategic Priorities and actions to develop a modern, efficient, high-performing and networked organisation. Our commitment to be modern was built around adopting better regulatory practice, improving our data and intelligence capabilities and integrating the organisation's gambling and liquor regulatory functions. Key changes include a restructure of our Licensing Division to support the introduction of risk-based streaming of applications, the continued development of a whole-of-organisation risk-assessment model and further refinements to our performance reporting to better inform decision-making.

Our efforts to become more efficient centre around simplifying processes and improving compliance rates through licensee education. In line with this, we introduced Advanced Responsible Service of Alcohol (Advanced RSA) training to enhance management practices for late night venues and we successfully redeveloped the temporary limited licence application online portal improving the user experience and reducing internal rework.

Our commitment to be high-performing centred on building a positive workplace culture, staff development and delivering best practice business operations within a constrained fiscal environment. We established a workplace culture committee that engages with staff to promote and demonstrate our corporate values. Strong participation in the annual People Matter Survey has provided insights into the experiences and views of our staff, informing actions and activities aimed at improving our working environment.

Our focus on being networked led to greater collaboration with stakeholders and co-regulators to improve community engagement, regulatory effectiveness and knowledge-sharing. We've continued to engage through gambling and liquor community forums, Knowledge Exchange events for industry and local government and we continue to support liquor forums across the state. We've also participated in a number of successful joint compliance operations with our co-regulators.



Throughout the year, as in years past, we've maintained a close and effective relationship with various areas of Victoria Police and the VCGLR expresses its thanks to Victoria Police for their continuing cooperation in this regard.

It was against these priorities that our performance was measured in the recent Industry Perception Survey. Encouragingly, the survey found that overall the industry felt positively about our performance with 93 per cent satisfied that the VCGLR is delivering on its key intent.

While this year has seen numerous improvements there still remains a task ahead as we continue to build an effective and integrated organisation. There are areas where ongoing improvement is required, such as our gambling and liquor business information systems. A review of the organisation has been initiated and it is anticipated its findings will help guide the future of the VCGLR.

The task of establishing an integrated entity is a difficult one and we would like to take this opportunity to record our thanks to the VCGLR's former Chair, Bruce Thompson, who left the organisation this year. Over the past decade, Mr Thompson has played an important regulatory role as Chair of the former Victorian Commission for Gambling Regulation (VCGR) and more recently as Deputy Chair and Chair of the VCGLR.

A handwritten signature in dark ink, appearing to read 'Bruce Cohen'.

Dr Bruce Cohen  
Chair

A handwritten signature in dark ink, appearing to read 'Catherine Myers'.

Catherine Myers  
Chief Executive Officer

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## Part 1

### Our organisation

## The Victorian Commission for Gambling and Liquor Regulation

### Who we are

The VCGLR is the independent statutory authority that regulates Victoria’s gambling and liquor industries. We are responsible for gambling and liquor licensing and for ensuring compliance with legislation and regulations. This includes informing and educating industry participants and the Victorian public about regulatory practices and requirements. We aim to provide community-wide benefits while minimising harm.

### What we do

As an independent statutory organisation, our obligations are set out in several Acts of Parliament. They include regulating:

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

### Who we regulate

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

We oversee approximately 21,000 liquor licences, more than 650 Keno outlets and almost 750 wagering and betting agents – while also managing the state wide cap of up to 30,000 gaming machines. We also assess and approve more than 4,500 minor gaming activities annually, such as bingo and trade promotions, and issue over 2,500 gaming industry employee licences.

### Commission

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

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

The Chair convenes and presides at VCGLR Commission meetings and contributes to decision-making. This position has a casting vote on matters where there are equal votes, as well as a deliberative vote. The Chair is also a 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, 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.

## Our Commissioners



### Dr Bruce Cohen, Chair

May 2015 – current

Dr Cohen has an extensive background in public policy, regulatory development and government administration. He holds degrees in law and commerce from Melbourne University, as well as a doctorate in public policy from the Australian National University. Dr Cohen has also served as a director on the boards of VENCORP, Snowy Hydro Ltd and Melbourne Water, and was previously Chair at VicTrack. He also served as a Commissioner with the Victorian Competition and Efficiency Commission (VCEC) for its inquiry into reform of Melbourne’s retail water sector.



### Bruce Thompson, Chair

July 2014 – May 2015

Mr Thompson was the Chair of the VCGLR and the former VCGR. He is a non-executive director of SMS Management and Technology Ltd, a consulting, technology and systems integration company, as well as a director at the Box Hill Institute of TAFE. His previous positions include Chairman and Managing Director of Hewlett Packard Australia Ltd and Chief Executive Officer of Keycorp Ltd. He’s also a former member of the Business Council of Australia and a trustee of the Melbourne Cricket Ground Trust.

Mr Thompson’s term ended in May 2015.



### Gail Owen OAM, Deputy Chair

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



### Ross Kennedy PSM, Deputy Chair

Mr Kennedy has an extensive background at senior levels in service to the Victorian Government and was the Executive Director responsible for liquor, gaming and racing at the Victorian Department of Justice immediately prior to his appointment as a Commissioner – a role he'd performed for over 10 years. During his time in that position, Mr Kennedy led significant change in the regulation of Victoria's gambling and liquor industries. Between 1994 and 2003, Mr Kennedy was the Executive Director of Sport and Recreation Victoria, during which time he was awarded an Australian Public Service Medal for outstanding service, most notably in the development of Victoria's sport and recreation infrastructure.



### Des Powell AM, Commissioner

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



### Kate Hamond, Commissioner

Ms Hamond has an extensive background as a consumer advocate and regulator. Prior to her appointment to the VCGLR, she was Chairman of the Board of Third Age Directions Pty Ltd, Chief Executive Officer of the Australian Retirement Village Association and served as Victorian Legal Ombudsman between 1999 and 2005. Ms Hamond is a member of the Queen Victoria Women's Centre Trust, the Eastern Community Legal Centre Board and the Women's Correctional Services Advisory Committee.



### Robert Kerr, Commissioner

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

## Our Chief Executive Officer



### Catherine Myers, Chief Executive Officer

24 March 2014 – current

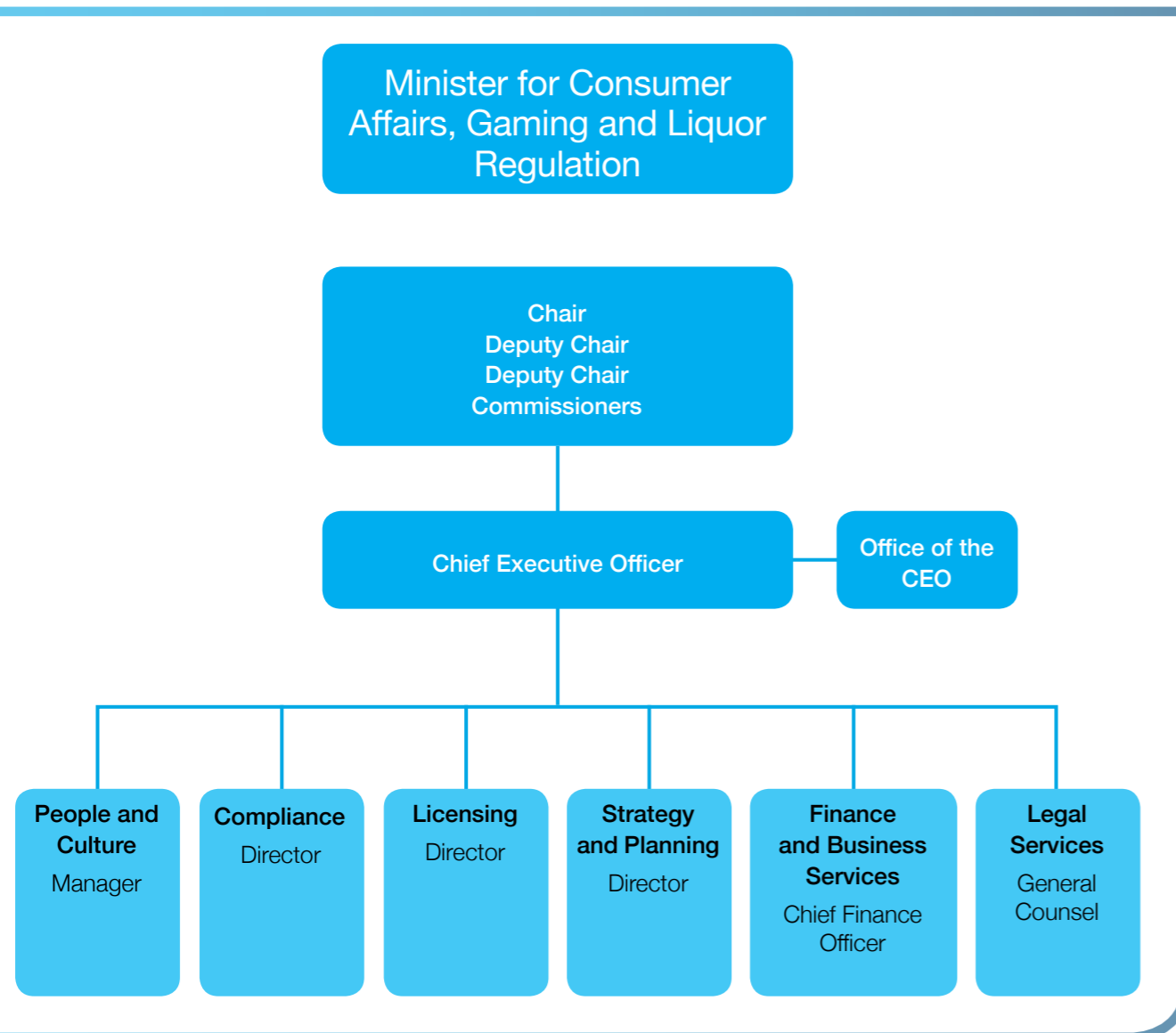
Ms Myers has an extensive background in communication, education, strategy, planning and client services within both the public and private sectors.

Prior to acting as CEO, Ms Myers served as Director of Strategy and Planning, a role which involved managing the VCGLR's client services, overseeing strategy, managing risk and planning processes, ICT, communication, policy and data and analytical functions. In July 2015, Ms Myers was formally appointed as Chief Executive Officer.

Table 1: Commission meetings, inquiries and hearings 2014–15

Inquiries				
	Matters Determined	On Papers	Private Inquiry	Public Inquiry
Gaming – new premises	0	0	0	0
Gaming – electronic gaming machine increase	19	2	0	17
Gaming – appeal against refusal to grant a gaming licence	0	0	0	0
Gaming – appeal against refusal to renew community/charitable organisation declaration	3	1	0	2
Gaming – appeal against self-exclusion order	9	2	7	0
Gaming – disciplinary action	0	0	0	0
Liquor – contested application	1	0	0	1
Liquor – internal review	26	8	0	18
Liquor – section 91 disciplinary action	2	0	0	2
Liquor – section 94 amenity inquiry	0	0	0	0
Total	60	13	7	40
Hearings				
Directions hearings				7
Hearings				52
Meetings				
Regular				12
Special				1

## Organisation structure



## Our divisions

The VCGLR is organised along six divisions, with each division reporting to the Chief Executive Officer:

1. Licensing
2. Compliance
3. Strategy and Planning
4. Legal Services
5. Finance and Business Services
6. People and Culture.

### Licensing

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

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

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

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

It also reviews licensing practices and procedures for efficiency and accuracy, advising on decision-making and stakeholder engagement.

### Compliance

Our Compliance Division is responsible for inspecting, educating, investigating and enforcing compliance with Victoria's gambling and liquor legislation. The division is auspiced to use a risk-based, intelligence-led compliance model to identify and treat risks within Victoria's gambling and liquor industries.

This approach aims to regulate these industries according to the level of risk they pose to the community. The division's focus aims to treat risks holistically, using an educative approach to encourage compliance. Non-compliance results in commensurate enforcement action.

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

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

### Legal Services

The Legal Services Division, led by the General Counsel, is the provider of legal services to the Commission and its operational units and bears the responsibility for setting and implementing a modern, comprehensive corporate governance framework.

The division advises the Commission and its staff on legal matters and prosecutes on behalf of the Commission. It represents the Commission in appellate and review proceedings and acts as Counsel Assisting in Commission inquiries. The Legal Services Division also provides registry and secretariat services, necessary for the efficient processing of Commission business.

In a strategic role, the division manages the Commission's governance obligations. It has responsibility to ensure compliance with legislative requirements governing such areas as freedom of information, privacy, protected disclosures and aspects of the Public Administration Act. As part of this governance responsibility, General Counsel is also the Commission's nominated anti-corruption officer. General Counsel works closely with the Audit Committee to ensure it receives accurate information and that its governance recommendations are effectively implemented.



## Part 2

### Our priorities and performance

#### Strategy and Planning

The Strategy and Planning Division's role is to steer the development of organisational approaches and strategies. It aims to do this by leading strategy development and planning, analysing business performance and data to support evidence-based decision-making and engaging with regulated sectors through information provision, publications, industry education and client services.

Its functions include business and strategic planning, legislative and regulatory policy, communication services, data and performance analysis, education and training, client services and information and communications technology to support efficient and effective operations.

#### Finance and Business Services

The Finance and Business Services Division provides various corporate support services including finance, building and facilities, document management and office administration. It is responsible for ensuring accurate, transparent, timely management of, and reporting on, the financial performance and associated transactions of the VCGLR, as well as collection of licence and taxation revenue and compliant, prompt, efficient and accessible support services. During 2014–15, administrative revenue collected by the VCGLR on behalf of the Victorian Government amounted to \$1.87 billion.

#### People and Culture

The People and Culture Division provides strategic advice in relation to the organisation's people development and change management programs, related governance requirements, workforce planning, capability development, organisational culture, leadership growth and occupational health and safety. Additionally, the People and Culture Division works to develop policies that reflect values promoted by the organisation and the Victorian Public Service while ensuring compliance with relevant legislation. The division also supports the organisation in meeting its obligations as an equal opportunity employer and a responsible corporate citizen.

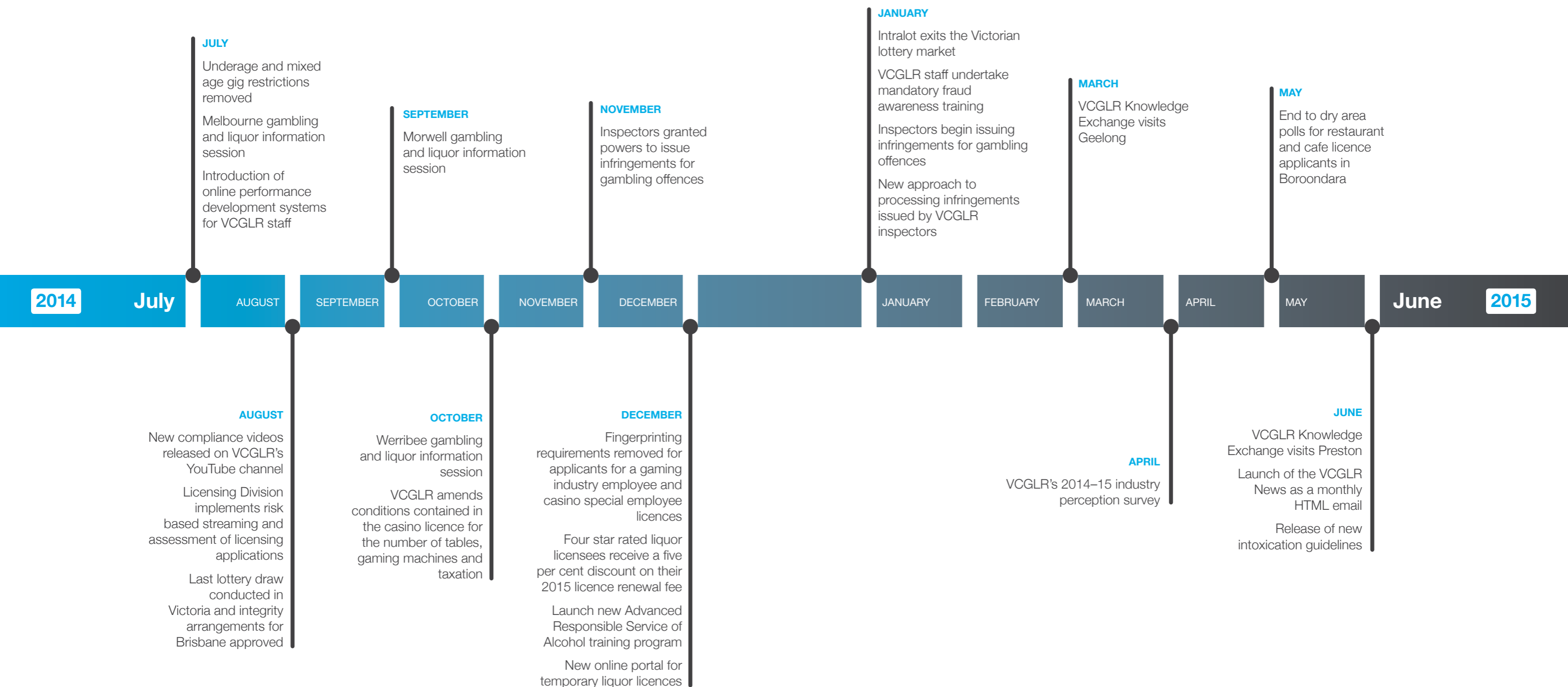
## Vision

Community-wide benefits to Victorians through the regulation of Victoria's gambling and liquor industries.

## Purpose

The VCGLR is an efficient and dynamic independent regulator that ensures the integrity of the Victorian gambling and liquor industries and is committed to minimising harm.

# Milestones



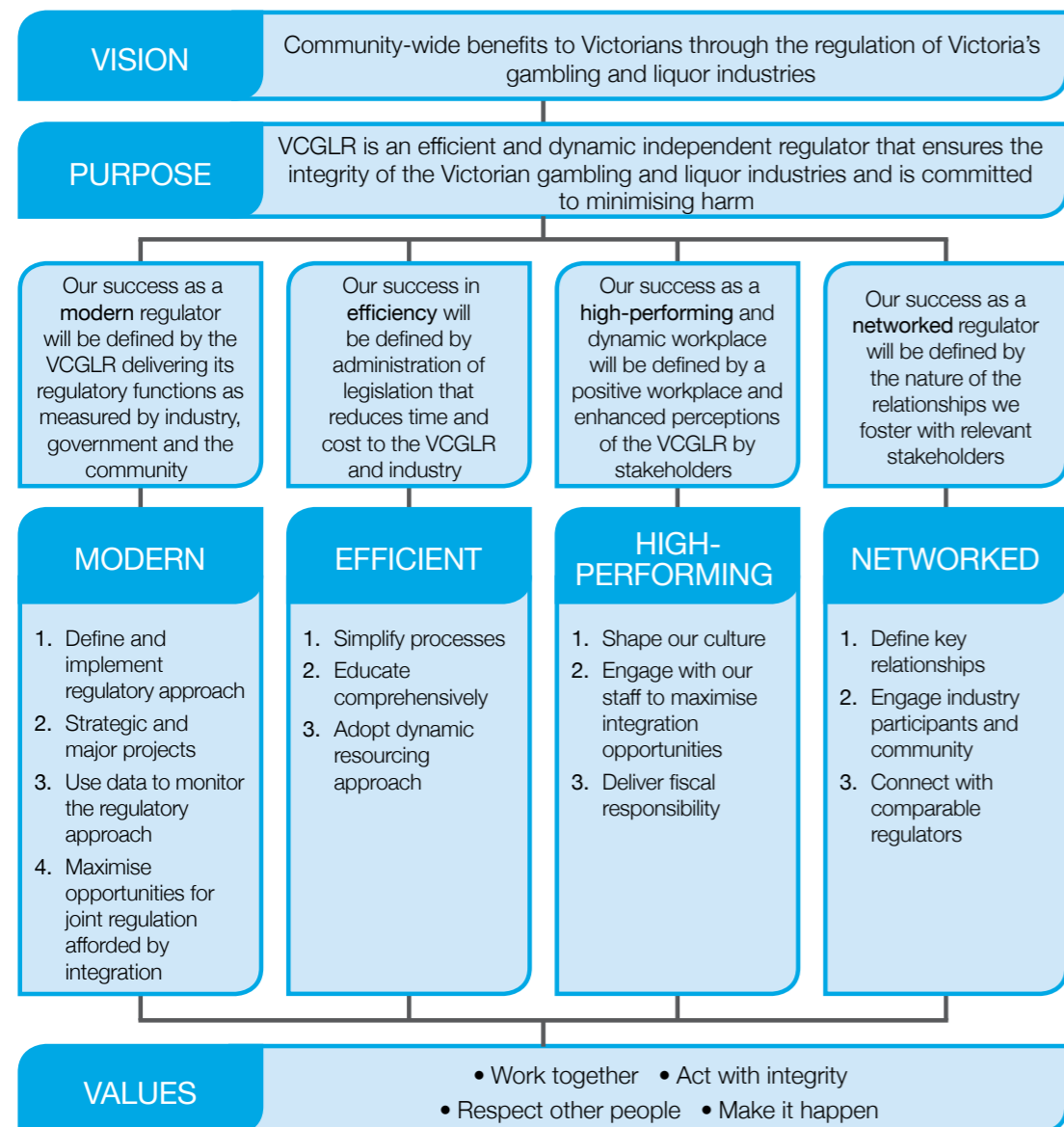
## Our Strategic Priorities

For the VCGLR, 2014–15 closes the chapter on our inaugural three-year strategic plan. Launched in 2012 our Strategic Priorities have guided our decisions and actions while also providing a touchstone for measuring our progress.

The VCGLR uses an integrated planning approach to embed and enliven our Strategic Priorities. They help guide our decision-making on the allocation of resources and provide a focus on the organisation’s vision and purpose, to ensure coherent and considered action. To meet our Strategic Priorities,

we develop annual business plans that in turn influence our divisional and individual performance plans. Consultation with our Commissioners, Executive and staff across the organisation plays a major role in developing and achieving both our short and medium term objectives.

Our annual business plans identified key initiatives, their outcomes and measures of their success. Regular reporting against our initiatives – therefore our priorities – demonstrates the effectiveness of our approach and informs our future path.



## Strategic Priority 1 Modern

Our success as a modern regulator will be defined by the VCGLR delivering its regulatory functions as measured by industry, government and the community.

### Strategy and performance

The VCGLR continued to invest in developing tools and staff capability to mature our risk-based approach. Improving our data analysis capabilities and more accurately measuring our performance assists with decision-making, resource allocation and measuring our overall impact.

Work in 2014–15 focussed on establishing a baseline for our data analysis capabilities, developing processes to support our performance framework and relationship building efforts.

The accuracy, timeliness and relevance of the information provided in the VCGLR's performance framework improved throughout 2014–15 following the implementation of updated key assurance processes. This work enabled the VCGLR to adopt more accurate and relevant performance measures for 2015–16, laying the foundation for more accountable and transparent workflow procedures, better aligned to our strategic goals.

The VCGLR developed important working relations with a range of peer agencies and stakeholders and these relationships will enable the VCGLR and related parties to obtain and make best use of a broader range of evidence. For example, the VCGLR:

- worked with Turning Point and Crime Statistics Victoria to obtain a range of data on alcohol-related harm
- consulted with the Victorian Responsible Gambling Foundation (VRGF) and Australian Gambling Research Centre on methodologies for assessing gambling related harm
- provided data to the Australian National University and Deakin University to facilitate research on gambling consumption and minimising alcohol-related harm.

### Regulatory Approach

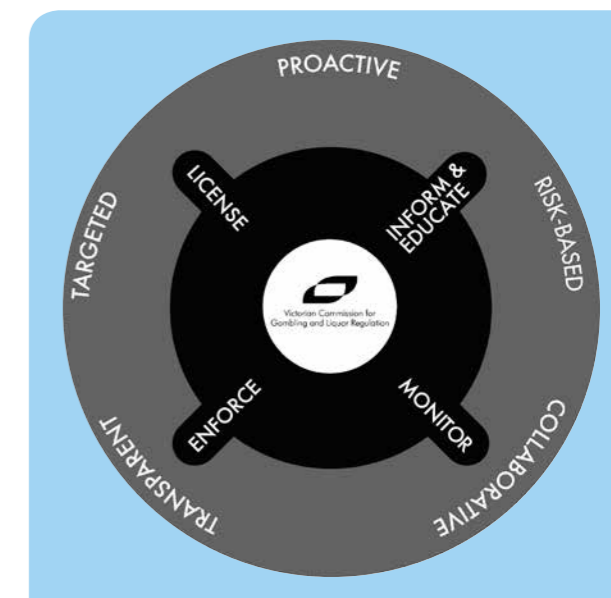
This year saw the VCGLR begin to embed our regulatory practice across the organisation as our core method for regulating Victoria's gambling and liquor industries.

Our Regulatory Approach involves five principles, designed to guide our actions and decision-making – namely we aim to be proactive, risk-based, collaborative, transparent and targeted.

In accordance with this, we developed a whole of organisation approach for the 2014–15 New Year's Eve celebrations to minimise alcohol-related harm, while supporting the responsible consumption of alcohol during this high-risk event.

This approach included an education and communication campaign for licensees, targeting high-risk venues and events for compliance activities and imposing additional conditions when granting extensions in trading hours to minimise alcohol-related harm. The campaign built on the previous year's activities where licensees took additional steps to reduce harm such as serving alcohol in plastic glasses and employing additional security personnel.

Evaluation of this work revealed more than 50 per cent of licensees who adopted these additional



measures found them to be effective at reducing intoxication or alcohol-related harm.

Collaborative internal working groups have focussed on problem solving, encouraging new and innovative approaches for tackling the issues associated with gambling and liquor related harms. For example, the purpose of the Smarter Regulation Working Group is to facilitate internal collaboration to discuss more complex regulatory issues and develop consistency in how we think about risk and harm.

Recent collaboration with the VCEC's 'Regulatory Improvement Study' has contributed to our regulatory approach. The study enabled us to assess if our business operations are consistent with the risk-based principles outlined in our regulatory approach. In particular, the study allowed us to learn from the VCEC's experience with other regulatory authorities, and introduce actions that continually improve our regulatory practices.

## Review into sports controlling bodies

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

- approving sporting and other non-racing events for betting purposes
- enabling sporting organisations to apply for approval as the sports controlling body for betting purposes on their sport
- restricting sports betting providers from offering betting services on a previously approved sporting event without prior agreement from the approved sports controlling body (except within the first six months after the sports controlling body has been approved)
- being empowered to prohibit particular contingencies considered inappropriate for betting purposes.

Under Victorian gambling laws, approved sports controlling bodies can also demand information from betting providers in regard to who is laying bets on their sport, which can assist in monitoring compliance with anti-gambling and anti-match fixing policies.

Approval as a sports controlling body provides the opportunity to receive a share of the revenue betting providers earn when offering betting opportunities on their events. In order to have control over the betting contingencies that may be offered, a sports controlling body has to have an agreement in place with the betting provider/s.

The VCGLR also conducts periodic reviews into approved sports controlling bodies. In 2014–15 the VCGLR conducted reviews of Professional Golfers Association of Australia, Tennis Australia and the Australian Football League (AFL) which involved investigating and evaluating their roles as sports controlling bodies. The reviews considered their integrity processes and policies as well as their expertise to monitor and enforce their own integrity systems.

Our review of the AFL also considered an investigation conducted in relation to a complaint received concerning the 2014 NAB AFL Rising Star award. The investigation into the NAB AFL Rising Star award found that the AFL had not breached the Gambling Regulation Act.

The reviews found that the Professional Golfers Association of Australia, Tennis Australia and the AFL were suitable to continue as approved sports controlling bodies for their respective sports.

## Digital communication

In 2014–15, the VCGLR worked towards providing more resources online, including mandatory liquor licensing signage and an informative suite of new videos designed to encourage licensee compliance.

The video series titled 'Are You Compliant?' was developed by the VCGLR in partnership with Victoria Police, the Environment Protection Authority, VicRoads, Racing Victoria, the Metropolitan Fire Brigade (MFB) and Melbourne City Council and is aimed at licensees, venue operators, industry and the wider community. The educational suite of videos aims to help viewers understand what obligations venues must meet in order to remain compliant with Victoria's gambling and liquor laws. The series looks, specifically, at the types of compliance risks that VCGLR inspectors target at the following types of venues:

- TAB venues and racecourses
- bingo venues

- gaming venues and Melbourne casino
- licensed cafes and restaurants
- late night licensed venues
- packaged liquor outlets ('bottle shops').

The videos, which have now been viewed more than 5,000 times, highlight the VCGLR's approach to harm minimisation and demonstrate a compliance model built around developing strong relationships with industry.

In addition, we also replaced the quarterly VCGLR News with a more modern, user-friendly monthly email newsletter, which was developed based on feedback from our stakeholders. A survey of VCGLR News readers found that 70 per cent of respondents wanted to receive the VCGLR newsletter on a monthly or 'as news happens' basis. Sixty per cent nominated email as their preferred format.

## New online portal for temporary licences

The VCGLR upgraded its online portal for temporary limited liquor licence applications, with a new secure and intuitive form that improves the quality of information provided, reducing re-work and shortening determination times.

Applications can now be made from mobile devices, including smartphones and tablets, as well as traditional computers, 24 hours a day, seven days a week. All information transmitted via the portal is encrypted and secure.

By answering a few simple questions, users are guided to apply for the correct licence category and prompted to provide all required information. This reduces the need for VCGLR to contact applicants for additional information, streamlining the application process.

## Demerit points system

Introduced in February 2012, Victoria's liquor licence demerit points system aims to improve compliance levels by encouraging responsible business practices in licensed premises.

Under the demerit points system, licensees incur one demerit point for each non-compliance incident with

points recorded against the licence for three years. At 30 June 2015, 81 demerit points were recorded across 65 different venues compared to 68 demerit points across 55 venues in 2013–14.

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

Six demerit points expired for six licensees within the most recent reporting period.

## Star rating discount for licensees

In 2014, more than 86 per cent of liquor licensees with a 'four star rating' received a five per cent discount on their 2015 annual liquor licence renewal fees.

The star rating scheme was introduced in February 2012 as an incentive program to reward licensees who've 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.

Under the legislation, non-compliance incidents include the unlawful supply of alcohol to underage or intoxicated persons on licensed premises.

Fifty licences did not receive the discount because of non-compliance incidents. Additionally, sexually explicit entertainment venues are not eligible to receive discounts under the scheme.

## Advanced Responsible Service of Alcohol

In 2014, the VCGLR partnered with William Angliss Institute to launch a new Advanced RSA training program.

The training course is focussed on providing a safe environment – inside and outside – for patrons, staff and neighbours of late-night venues. Successful completion of this certified course accredits participants as responsible operators, contributing to safer communities for all.

Advanced RSA training participants are presented with information and strategies from a range of subject matter experts including representatives from the VCGLR, Victoria Police, Ambulance Victoria, MFB and representatives experienced in the security industry. Topics covered during the training include:

- managing medical incidents, including drug overdoses
- managing and working with a security team
- managing emergencies or criminal acts
- achieving compliance through effective tools and processes in venues
- managing anti-social behaviour.

Some 112 industry participants have voluntarily completed the Advanced RSA course since its introduction.

Under amendments to the Liquor Control Reform Act, the course is mandatory for certain types of liquor licensees. These types of licensees include late night (general) or late night (on-premises) supplying liquor for on premises consumption after 1am. During 2014–15 the VCGLR did not grant any permanent licences to trade after 11pm therefore there were no mandatory participants as a result of their licence conditions.

## Key enforcement outcomes

The VCGLR undertakes a range of compliance monitoring and enforcement activity throughout the year with a focus on higher-risk venues.

A range of measures are available to the VCGLR to address instances of non-compliance with Victoria's gambling and liquor laws including the ability to issue written warnings, infringement notices, enforceable undertakings, disciplinary action and, where necessary, prosecute offences in court. Action taken by the VCGLR to remedy non-compliance depends on a range of factors including the severity of the situation, the risk of harm to the community and any prior history of non-compliance.

The Commission undertook two disciplinary inquiries into the conduct of liquor licensees during 2014–15, including disciplinary action against Eureka Geelong Hotel Pty Ltd, trading as Eureka Sportz Saloon Bar. In this instance, it was determined that there were

grounds for disciplinary action against the venue regarding Facebook promotions which targeted universities and students. The Commission imposed a fine of \$5000 as well as requiring a written undertaking that the licensee would not cause, or permit any advertising or promotional material that is likely to encourage irresponsible consumption of alcohol, or include reference to universities, students or student holidays for a further two years.

Two businesses were successfully prosecuted in relation to breaches of the Liquor Control Reform Act. A&A (Ind) Pty Ltd was found to be supplying liquor without a licence and fined \$1000 without conviction plus costs of \$400. Jshin Investments Pty Ltd was found to be permitting consumption of liquor outside its trading hours, fined \$1000 with conviction plus costs of \$3300.

Furthermore, we successfully prosecuted Tabcorp under the Gambling Regulation Act for two counts of allowing a minor to gamble. As a result, Tabcorp has entered into a 12-month diversion program which will reduce the risk of underage betting by way of self service terminals and donated \$1000 to Gambler's Help.

Compliance inspectors issued 1,291 warning letters under the Liquor Control Reform Act. These written warnings provide the licensee or venue operator with the opportunity to address the noted issues before formal action is required. In the majority of cases, licensees are cooperative and rectify breaches immediately meaning no further enforcement action is required.

In 2014–15, 273 infringement notices were issued under the Liquor Control Reform Act.

Compliance inspectors also work with liquor licensees to provide information about suitable advertising promotions under the law. Most licensees voluntarily ensure they meet our guidelines and understand that promotional activities that encourage irresponsible drinking are not in the public interest.

In March 2015, the Commission issued a notice to the licensee of the Asian Beer Cafe banning the advertisement of cheap drink promotions. A component of the advertisement was found to be likely to encourage irresponsible consumption of alcohol. In September 2014, a separate banning notice was issued to the licensee of Tramp Bar for the use of advertising that used inappropriate and exploitative sexual imagery.

We worked with the gambling and liquor industries to develop a common understanding of the benefits of regulatory obligations as well as good management practices. Our focus has been to improve regulatory outcomes and compliance for those we regulate.

## New business system testing underway

The VCGLR is in the implementation stage of the Liquor and Gambling Information System (LaGIS) project with the aim of delivering a new IT system to support our operations, regulatory processes and policy responses. The project has experienced delays but steps have been taken over the last nine months to improve project oversight, as well as rescope and derisk the project.

LaGIS aims to improve the efficiency of VCGLR operations and enable more effective and efficient reporting by delivering a system that supports our licensing, compliance and enforcement functions.

For a modern regulator, LaGIS is designed to provide access to searchable, accurate and consistent data which will enable us to track and measure the efficacy of our regulation activities. Over time it is intended quality analysis of this data will be used to help inform broader policy decisions and regulatory development.

It would also upskill our workforce through the elimination of manual processes and the creation of more value added processes.

The aim is for new functionality to be deployed in stages starting with the Compliance Division. This will enable replacement of a number of outdated and inadequate business systems, providing a single integrated system and workflow. The new system is intended to reduce administrative tasks and enable inspectors to operate with real time access to information.

Many staff across multiple teams have contributed significantly to the project over the last year. Our next steps involve significant user testing and staff training in the new system before its deployment.

## Implementation of casino review recommendations

The VCGLR completed its major review of the casino operator in 2013–14. This was known as the Fifth Review of the Casino Operator and Licence and the first conducted by the VCGLR. The review's key purpose under section 25 of the Casino Control Act was to investigate the casino operator's suitability and report this to the Minister, as part of the VCGLR's ongoing regulatory oversight of the licence.

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

The Melbourne casino has completed the implementation of nine of the recommendations and the remaining one is on track for completion in the timeframes set out in the report.

## Variation to the Casino Management Agreement

On 22 August 2014, the Victorian Government reached an agreement with Crown Melbourne Limited on a broad number of changes to be implemented which included amendments to the Casino Control Act and casino licence conditions.

The key changes of the agreement included:

- removal of super tax on commission based players' gaming revenue
- an increase of the maximum number of gaming tables from 400 to 440 (excluding 100 poker tables)

- an increase of the maximum number of stations connected to fully automated table games from 200 to 250
- an increase of the maximum number of gaming machines from 2,500 to 2,628
- an extension of the duration of the casino licence by 17 years to 2050
- payment of two lump sums to the State for extension of the duration of the casino licence (the first lump sum of \$250 million was paid on 7 November 2014, the second lump sum of \$250 million is due on 1 July 2033)
- contingent payments payable on 1 September 2022 if the compound annual growth rate of normalised gaming revenue at the casino exceeds predetermined percentages over the period from FY14 to FY22
- an annual tax guarantee that a minimum of \$35 million per annum is paid to the State on the revenue generated from the new gaming tables and gaming machines over the six financial years commencing on and from 1 July 2015.

The changes were subject to the ratification of a Tenth Deed of Variation to the Casino Management Agreement by legislative amendment and amendments to the casino licence.

The Tenth Deed of Variation to the Casino Management Agreement was ratified by Parliament on 21 October 2014 in accordance with the ratifying provisions of the *Casino and Gambling Legislation Amendment Act 2014*.

To give effect to the above arrangements Crown made an application on 9 September 2014 to the Commission to amend the conditions contained in the casino licence to allow for the additional gaming products and to extend the term of the licence. On 20 October 2014 the Commission determined to approve the application effective from 3 November 2014.

The increase in the number of gaming machines permitted to be operated in the Melbourne casino concurrently reduced the number of gaming machines permitted to be operated by Victorian pubs and clubs to 27,372. Overall the state cap on gaming machines remains at 30,000.

The casino licence is available on the VCGLR website at [vcglr.vic.gov.au](http://vcglr.vic.gov.au)

## Strategic Priority 2 Efficient

Our success in efficiency will be defined by administration of legislation that reduces time and cost to the VCGLR and industry.

### Application determination times

Over the last financial year the VCGLR committed to determine 80 per cent of applications within 60 days of the application being lodged. The VCGLR has exceeded this target by 10 per cent, determining 90 per cent of all applications within 60 days.

A number of initiatives were implemented to reduce red tape for industry and decrease determination times even further. For the 2015–16 financial year, the Licensing Division has committed to timeliness measures as outlined in Table 2.

Table 2: Licensing determination measures

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

### Reducing regulatory burden

In 2014, the determination times for minor gaming and liquor applications were reduced by 11 per cent in weighted average terms compared to the baseline period of 2011, with a reduction of 40 per cent for gambling applications and three per cent for liquor applications.

The reduction of 11 per cent is below the 27 per cent achieved in 2013 due primarily to a 16 per cent increase, from eight days to 9.2 days, in the

average determination time for temporary liquor licence applications not served on Victoria Police for comment. This increase may be due to the adoption of risk-based processes leading to fewer applications for temporary liquor licences being served on Victoria Police. Around 20 per cent of temporary liquor licences were served on Victoria Police in 2014, down from 30 per cent in 2011. The adoption of these risk-based processes has resulted in a reduction in regulatory burden for temporary liquor licence applications of 14.3 per cent from 15.7 days in 2011 to 13.4 days in 2014. See Table 18 on page 51 for further information.

From 2015–16, the VCGLR will adopt a new service delivery measure known as, 'Liquor and gambling approvals, licence, permit applications and variations determined by VCGLR within set time', as detailed in the Victorian Government's Budget Paper No. 3, Service Delivery.

### End to restaurant and cafe dry polls in Boroondara

In 2014–15, the VCGLR continued to work towards meeting key targets to improve operations and reduce red tape for businesses.

From May 2015 new restaurant and cafe licence applicants within the 'dry area' of the City of Boroondara no longer require a resident vote before the VCGLR considers their application.

Applications for general, on-premises and club liquor licences in the dry area, however, will still require a resident vote in accordance with the Liquor Control Reform Act under schedule 3, clause 17.

Under the Liquor Control Reform Act, the dry area of Balwyn North, Balwyn, Canterbury, Camberwell, Glen Iris and Ashburton is defined as:

- east of Burke Road to Middleborough Road
- bounded to the north by Koonung Creek
- bounded to the south by Gardiner's Creek, Warrigal Road and Riversdale Road (as extended through the Box Hill Golf Course).

Ceasing to conduct polls for restaurant and cafe licences is consistent with the VCGLR's risk-based regulatory approach and reduces the administrative and financial burden on residents, local council, the Victorian Electoral Commission and licensees.

## Having the right licence for restaurants and cafes

In 2014, the VCGLR conducted an awareness campaign with on-premises licensees to have them consider their business model and whether they had the best liquor licence in place.

Many restaurants and cafes continue to operate using an on-premises licence despite the new restaurant and cafe licence category being introduced in 2010. A restaurant with an on-premises licence operating to midnight pays significantly more each year than they would if they held a restaurant and cafe licence instead.

## Removing fingerprinting requirements reduces regulatory burden

Previously, all applicants for a gaming industry employee and casino special employee licence were required to obtain a National Police Check with fingerprints. From December 2014, applicants for these licence types are only required to submit a National Police Check (name). This means that applicants are no longer required to have finger and palm prints recorded. This change is consistent with the VCGLR's risk-based regulatory approach.

The VCGLR still maintains the discretion to request an applicant undergo a fingerprint check if necessary.

This change will affect around 2,700 gaming industry and casino special employee applicants each year, reducing regulatory burden and administrative costs, while also streamlining the application process.

## Reduced red tape for all ages events

From 1 July 2014, new legislative measures came into effect enabling licensed venues to conduct alcohol free, all ages live music events. From this date, licensed venues are only required to notify the VCGLR that such an event is taking place. This reform supports the live music industry and benefits artists, venues, promoters and young music fans. Since the introduction of the alcohol free, all ages live music event category, the VCGLR has received 76 notifications.

At the same time, the VCGLR introduced a low risk fast tracking application for licensed venues seeking

temporary approval of unaccompanied minors for events not involving live music. Applications can be 'fast tracked' where the event is considered low risk, with regard to the following key factors: previous VCGLR approval to run past events, compliance history, whether the event is alcohol free and event finishing time. Since 1 July 2014, the VCGLR has received and determined 11 fast tracked applications for 22 events.

## New authority to issue infringements

In November 2014, VCGLR inspectors were given the authority to issue infringement notices and official warning notices for a range of offences under the Gambling Regulation Act and the Casino Control Act.

According to the 'Attorney-General's Guidelines to the *Infringements Act 2006*', infringement notices are an alternative method for dealing with minor offences, giving an individual the option of paying a fixed penalty, rather than proceeding to a court hearing. Prior to the change VCGLR inspectors were required to undertake court proceedings against individuals who committed gambling offences.

The benefits of introducing infringements for gambling offences include convenience of payment, lower fine levels, the avoidance of a conviction being recorded and saving on legal costs to dispose of matters in an efficient and timely manner. However, the VCGLR retains the right to prosecute matters in court where an infringement is not appropriate.

If an inspector has reason to believe that a person has committed a gambling offence he or she may serve an infringement notice or an official warning to the person. Exercising this new authority, compliance inspectors have issued 121 infringement notices in the most recent reporting period.

With the new changes, the VCGLR also implemented an arrangement with the Department of Justice & Regulation's Infringement Management and Enforcement Services (IMES) to process infringements. A business unit of the department, IMES is primarily responsible for managing the end-to-end infringements system in Victoria. The arrangement allows for compliance efficiencies for the VCGLR with IMES enforcing unpaid infringement penalties on our behalf.

## Strategic Priority 3 High-performing

Our success as a high-performing and dynamic workplace will be defined by a positive workplace and enhanced perceptions of the VCGLR by stakeholders.

### Industry perceptions benchmarked

In 2015, an independent market research company was commissioned to conduct our second survey of 500 stakeholders across all gambling and liquor licences between 31 March and 30 April 2015.

The methodology included qualitative and quantitative research with participants interviewed from across the gambling and liquor industries. The findings indicated that:

- 93 per cent of participants are satisfied that the VCGLR is delivering on its key intent
- 98 per cent of participants clearly understood their licence conditions and how to be compliant
- 89 per cent of participants were satisfied with how they were kept up to date
- 92 per cent of attendees at VCGLR's Knowledge Exchange events agreed that the information provided was useful and/or relevant.

In addition, the survey results provide an important benchmark for measuring our performance in the future.

### People Matter Survey

The People Matter Survey is an employee opinion survey run by the Victorian Public Sector Commission. This is the fourth year the VCGLR has participated in the program, providing staff with the opportunity to have their say about the organisation.

The survey measures staff perceptions of the values and principles of the VCGLR's culture and operations, while at the same time gathering information on a broad range of issues that affect staff in their working life. The VCGLR prides itself on using survey feedback to influence organisational outcomes and benefits which demonstrates how we as an organisation work together to create continuous improvement for the benefit of all members of the VCGLR community.

The People Matter Survey is heavily promoted internally and staff are actively encouraged to set

aside time to take part. This is reflected in the VCGLR's relatively high survey response rate of 67 per cent, by comparison, the average response rate across the Victorian public service is 35 per cent.

In responding to results from the previous year's survey, divisions were asked to develop strategies and actions to address the key focus areas identified as part of their divisional planning. Initiatives introduced targeted areas such as job satisfaction, commitment and engagement, workforce planning and change management.

### Risk-based streaming and liquor licensing

In August 2014, the Licensing Division implemented a risk-based licensing structure and triage model. This structure is consistent with the VCGLR's risk-based regulatory approach. The process included the implementation of a triage method which categorises licensing application activities based upon application risk (high, medium, low). The categorisation of licence activities in accordance with their risk allows greater capacity to direct the right resources, to the right application, at the right time. This restructure has delivered process and efficiency improvements.

### Online performance development

In September 2014, the People and Culture Division transitioned the organisation's performance development planning process to an online platform called Nexus.

Nexus enables consistency in the management of performance planning and reporting, by aligning job-specific accountabilities and performance goals to strategic priorities and corporate values. The platform already housed the organisation's learning management system, enabling staff to browse and register for training opportunities that align with individual learning requirements. Use of Nexus for both performance and learning management allows the two processes to better align, enabling planning and recording of progress to be channelled through one single resource.

The system complements the face-to-face component of the performance management process, recording discussions between staff and their managers relating to career objectives, learning and future development.



## Annual learning and development program

Our annual learning and development program supports the objective of achieving a highly-motivated and skilled workforce through staff development. Review and development of our Learning and Development Strategy and calendar of activities for each year is informed by the results of an internal learning and development survey.

Learning activities offered throughout the year included in-house group training for the new online performance development system, presentation skills and project management.

Through the Institute of Public Administration Australia (IPAA) several VCGLR staff participated in YIPPA, a career development and networking program for young professionals. We also continued to support staff engagement in externally offered workshops and seminars on various topics through our corporate IPAA membership.

Through Nexus, People and Culture assigned its first mandatory eLearning module to all staff for fraud awareness training in December 2014. Staff averaged 13.2 hours of training each during 2014–15, with an increase in staff taking the time to undertake internal training opportunities by 2.2 per cent from the previous year.

## Training staff on risk-based regulation

An important component of introducing the VCGLR's Regulatory Approach was the need to train staff in risk-based regulation. Developing tools and staff capability to mature our risk-based approach assists with decision-making, resource allocation and measuring our impact.

In February 2015, a number of VCGLR employees were nominated to attend a risk-based regulation workshop then bring what they had learned back to the organisation to share with their teams.

In this workshop staff were educated on the foundations that make up risk-based regulation, providing participants with a common language and understanding. Participants were then taken through exercises on managerial systems and structures that

support risk-based regulation, which will help us to embed these processes into our regulatory approach.

## Licensing training program

Understanding the skills and capabilities required in the workforce is a vital key for our ongoing success in delivering strategy through our people.

In November 2014, the VCGLR's Licensing Division launched a cross-skilling training program for their staff that involved both group and one-on-one sessions. The aim was to cross-skill licensing staff enabling them to process both gambling and liquor related licence applications.

Content for the training program was informed by all licensing staff who participated in a divisional audit of training and development needs in late October.

The Licensing Division has undertaken two training programs this financial year, resulting in all staff being equipped to process both gambling and liquor applications. The Licensing Division, with People and Culture, will continue to develop and deliver training programs for staff development.

## Strategic Priority 4 Networked

Our success as a networked regulator will be defined by the nature of the relationships we foster with relevant stakeholders.

One of the core VCGLR functions is to inform and educate industry and the public about our regulatory practices and requirements under Victorian gambling and liquor laws. In this regard, we work together with our regulatory partners, the community and industry to ensure the minimisation of harm to the community.

We engage with a broad range of stakeholders, benefitting not only from the opportunity to present information on the work we do, but also from the feedback provided by the community and industry sectors. In regularly meeting with representatives in this way, we expand our understanding of their challenges and concerns while also providing them with relevant updates on legislative or policy changes that may affect them and their respective communities.

## Information targeting industry

In 2014, we hosted information sessions in Melbourne, Morwell and Werribee. For 2015, the information sessions were rebranded as the 'Knowledge Exchange'.

The VCGLR's Knowledge Exchange events provided an opportunity for industry, local government and the community to share their expertise with the VCGLR, and each other, about current gambling and liquor regulation issues and opportunities.

Participants were encouraged to ask questions and provide feedback to VCGLR staff about their engagement with the regulator and the challenges they face.

VCGLR Knowledge Exchange events focussed on regulatory issues of the moment, with the free program providing information on a range of gambling and liquor regulation topics. Guest speakers this year have included the VCGLR Chair, senior VCGLR staff, representatives from GoodSports, Victoria Police and the Office of Liquor, Gaming and Racing from the Department of Justice & Regulation. Industry perception survey results indicated that 92 per cent of those that attended the Knowledge Exchange events agreed that useful and relevant information was presented.

## Community consultation

The VCGLR regularly meets with community representatives to expand upon our understanding of their challenges and concerns, as well as update them on legislative or policy changes.

In 2014–15 we continued to host our community stakeholder forums to provide community support and advocacy agencies, as well as stakeholders from the gambling and liquor industry, Victoria Police and the VCGLR – with opportunities to develop a better understanding of each others' related issues and concerns.

Topics covered in forums this year included harm minimisation, working together and an overview of the VCGLR compliance activities and findings.

Participants at the liquor community stakeholder forum held earlier this year were particularly interested in a presentation from Alcoholics Anonymous, which included a presentation from two people who had previously endured alcohol addiction, detailing the impact it had had on their families and the wider community, as well as themselves.

The gambling community stakeholder forum included extensive discussion about the upcoming pre-commitment scheme in Victoria and a presentation from two Returned and Services League (RSL) employees on Responsible Service of Gambling (RSG), managing problem gamblers, intervention and harm minimisation.

## Local government

Local government plays a vital role in the liquor licensing process in Victoria, through planning approvals for venues that wish to trade in their municipalities, and their ability to object to new liquor licences or variations.

To support its decision-making, and in accordance with requirements under the Liquor Control Reform Act, the VCGLR notifies the relevant local government authority when it receives a new liquor licence application or variation to an existing licence (excluding applications for major event and other limited licences and for prescribed variations to licences). It also seeks input from Victoria Police.

Working with the Department of Justice & Regulation and in consultation with local government, in June 2015, the VCGLR launched a local government liquor licence objection kit to provide councils with clearer guidelines about liquor licensing objections and applications.

### Liquor forums and accords

Liquor forums are another opportunity for liquor industry representatives and community members to meet and develop strategies to improve the operation of licensed premises and reduce alcohol related harm in their local areas. These forums are led by Victoria Police members, local council representatives or licensees, with the VCGLR supporting these meetings by providing resources, educational material and regular email updates that provide important information about legislative changes and obligations.

The VCGLR, with Victoria Police, approves liquor accord documents. A liquor accord is a written document that sets out specific aims, actions and objectives that provide practical solutions to local alcohol-related problems and implement a range of programs and strategies to promote harm-minimisation principles.

In 2014–15, the VCGLR approved five liquor accord documents bringing the total to 53 as of 30 June 2015.

### Annual meetings for liquor forum chairs

In April 2015, the VCGLR held its annual liquor forum chairs meeting. The majority of liquor forum chairs are members of Victoria Police with the remainder of chairs being local council representatives or licensees. The VCGLR hosted two meetings, a metropolitan session located at our premises in North Richmond and a regional session in Bacchus Marsh.

The meetings facilitate networking, discussions and a chance to hear and share learnings and ideas on forum initiatives and outcomes. The VCGLR’s approach to proactive engagement has resulted in us learning vital information from a priority stakeholder group that will assist us in the way we support liquor forums now and into the future.

“Last week was a great opportunity for me to meet with and get some good advice around what makes an effective forum and also strategies to deal with local issues. Having the mix of VicPol as well as industry stakeholders gave a good 360 view. It is clear that those involved are united in their goal to reduce alcohol related harms in the community.

This was timely for Darebin as we are currently in the midst of re-invigorating our Licensing Forum.”

Adrian DALZOTTO | Inspector | Darebin Local Area Commander, Victoria Police | North West Metro Region

### Working with licensees to address risk

Conditions addressing alcohol strength, crowd control and Responsible Service of Alcohol (RSA) were added to the liquor licence for Etihad Stadium after reports of anti-social behaviour at the Darts Invitational Challenge in January 2015.

After consulting with Victoria Police, the VCGLR used its powers under the Liquor Control Reform Act to vary the licence for Etihad Stadium to include special conditions for all future darts events. The changes were made to the licence with the consent of the licensee who wanted to do the right thing.

The VCGLR’s primary regulatory objective in respect to liquor licensing is to minimise harm from the misuse and abuse of alcohol.

In this case, the VCGLR was able to work with police and the licensee to impose measures on the licence to minimise future risks that intoxicated patrons will be served liquor or that disorderly patrons will cause harm to others.

### Networked regulation – working with co-regulators

In 2014–15 we conducted 55 joint operations with Victoria Police, VicRoads and local government exceeding our target by 10 per cent.

Our second quarter saw the largest number of joint operations, with a large number of community, cultural and sporting events taking place during the warmer months of the year.

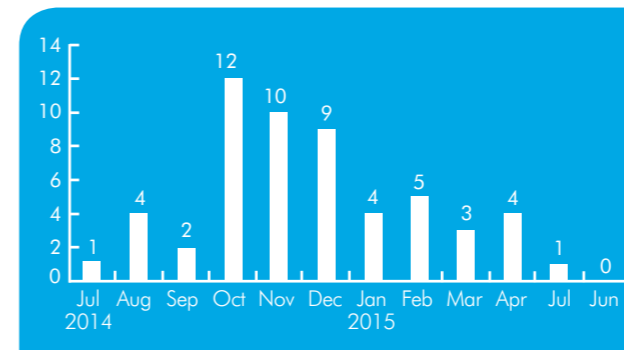


Figure 1: Monthly breakdown of joint operations over 2014–15.

Our participation with Victoria Police in ‘Operation Crosscourt’ is an example of us working with our co-regulators. The operation targeted anti-social behaviours leading to assaults in the public and licensed areas across the Mornington Peninsula during the busy holiday season. Inspectors and police officers focused on RSA compliance and amenity checks.

### Working with the Victorian Responsible Gambling Foundation

The VCGLR works with the VRGF to share information across community and industry networks.

During 2014–15, the VCGLR has featured a number of articles from the VRGF in our industry newsletter further promoting responsible gambling messages and campaigns to industry. Additionally, information published by the VCGLR concerning regulatory updates, commission decisions and gaming expenditure statistics was also promoted through the VRGF’s communication channels or used to help inform their programs and research.

The VRGF also presented at the VCGLR’s Knowledge Exchange events to inform industry about their role and services.

### Operational performance

The Victorian Government’s Budget Paper No. 3, Service Delivery, provides an overview of the goods and services funded by the Government and delivered by departments, and how these support the Government’s strategic priorities and objectives.

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

Table 3: State Budget Paper No. 3 (BP3) 2014–15 VCGLR outputs

Major Outputs/Deliverables Performance measures	Unit of measure	2014–15 Actual	2014–15 Target	Variance
<b>Quantity</b>				
Liquor and gambling compliance activities (VCGLR)	number	26,000	25,000	4%
Liquor and gambling licensing activities (VCGLR)	number	46,020	43,000	7%
Liquor and gambling information and advice (VCGLR)	number	133,104	128,000	4%
<b>Quality</b>				
Liquor and gambling licensing client satisfaction (VCGLR)	percentage	84	80	5%
<b>Timeliness</b>				
Liquor and gambling information and advice responsiveness (VCGLR)	percentage	95	96	-1%
Liquor and gambling compliance inspection outcomes provided within set timeframes (VCGLR)	percentage	91	98	-7%

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## Part 3

### Appendices

**Appendix 1:** Disclosure index

**Appendix 2:** Ministerial directions and regulatory requirements

**Appendix 3:** Additional information

**Appendix 4:** Inspections, audit and enforcement

**Appendix 5:** Governance

## Appendix 1: Disclosure index

Our Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of our compliance with statutory disclosure requirements.

Table 4: Disclosure index

Legislation	Requirement	Page reference
<b>Ministerial directions and regulatory requirements</b>		
<b>Report of operations – Financial Reporting Directions Guidance</b>		
<b>Charter and purpose</b>		
FRD 22F	Manner of establishment and relevant Ministers	6, 60
FRD 22F	Objectives, functions, powers and duties	6
FRD 22F	Nature and range of services provided	6, 11-12
<b>Management and structure</b>		
FRD 22F	Organisational structure	10
<b>Financial and other information</b>		
FRD 8C	Budget portfolio outcomes	31
FRD 10	Disclosure index	34
FRD 12A	Disclosure of major contracts	71
FRD 15B	Executive officer disclosures	64
FRD 22F, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	18-31
FRD 22F	Employment and conduct principles	60-61
FRD 22F	Occupational health and safety policy	60
FRD 22F	Summary of the financial results for the year	78-80
FRD 22F	Significant changes in financial position during the year	79
FRD 22F	Subsequent events	127
FRD 22F	Application and operation of the <i>Freedom of Information Act 1982</i>	66-67
FRD 22F	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	71
FRD 22F	Statement on National Competition Policy	67
FRD 22F	Application and operation of the <i>Protected Disclosure Act 2012</i>	67
FRD 22F	Details of consultancies over \$100,000	70
FRD 22F	Details of consultancies under \$100,000	70

Table 4: Disclosure index (continued)

FRD 22F	Statement of availability of other information	69
FRD 24C	Reporting of office-based environmental impacts	67-68
FRD 25B	Victorian Industry Participation Policy disclosures	67
FRD 29A	Workforce data disclosures	62-64
SD 4.5.5	Risk management compliance attestation	65
SD 4.2(j)	Sign-off requirements	1
<b>Ministerial directions</b>		
<b>Financial reports</b>		
<b>Financial statements required under Part 7 of the Financial Management Act</b>		
SD4.2(a)	Statement of changes in equity	86
SD4.2(b)	Comprehensive operating statement	84
SD4.2(b)	Balance sheet	85
SD4.2(b)	Cash flow statement	87
<b>Other requirements under Standing Directions 4.2</b>		
SD4.2(c)	Compliance with Australian Accounting Standards and other authoritative pronouncements	89
SD4.2(c)	Compliance with Ministerial directions	37
SD4.2(d)	Rounding of amounts	91
SD4.2(c)	Accountable officer's declaration	131
SD4.2(f)	Compliance with Model Financial Report	130
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 9A	Departmental disclosure of administered assets and liabilities	121–123
FRD 11A	Disclosure of ex-gratia payments	120
FRD 13	Disclosure of Parliamentary appropriations	120
FRD 21B	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the Financial Report	124
FRD 103F	Non-current physical assets	103
FRD 109	Intangible assets	108
FRD 110	Cash flow statements	87,119

## Appendix 2: Ministerial directions and regulatory requirements

Table 4: Disclosure index (continued)

Legislation	Requirement	Page reference
FRD 112D	Defined benefit superannuation obligations	112
FRD 114A	Financial instruments – General government entities and public non-financial corporations	114
FRD 119A	Contributions by owners	86
<b>Legislation</b>		
<i>Building Act 1993</i>		71
<i>Carers Recognition Act 2012</i>		61
<i>Casino Control Act 1991</i>		6,22–23,26,44,5–58,90
<i>Casino (Management Agreement) Act 1993</i>		6,90
<i>Casino and Gambling Legislation Amendment Act 2014</i>		24
<i>Equal Opportunity Act 2010</i>		65
<i>Financial Management Act 1994</i>		1,66,89,124,131
<i>Freedom of Information Act 1982</i>		66
<i>Gambling Regulation Act 2003</i>		6,20,22,26,37,44,53,58,90,121
<i>Liquor Control Reform Act 1998</i>		6,21–22,25,29,30,50,58–59,90
<i>Protected Disclosures Act 2012</i>		67
<i>Public Administration Act 2004</i>		6,61,63
<i>Racing Act 1958</i>		90
<i>Victorian Commission for Gambling and Liquor Regulation Act 2011</i>		1,60,89–90

Ministerial directions and guidelines are issued by the relevant Minister and published in the Government Gazette.

The directions and guidelines set the direction for gambling and liquor licensing in Victoria, and are taken into account by the VCGLR in licensing decisions.

There were four Ministerial directions made during the year. Ministerial directions can be found on the VCGLR website.

Table 5: Ministerial directions issued in 2014–15

Order	Issued
Ministerial Order on Advanced RSA training	15 October 2014
Ministerial Order to extinguish gaming machine entitlements	22 October 2014
Ministerial Order to specify the maximum number of gaming machine entitlements	22 October 2014
Restrictions on applications for late night licences decision-making guidelines <sup>1</sup>	26 June 2015

Note:

1. Subsequent guidelines were issued by the Minister on 20 July 2015.

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

	Number	Per cent
<b>Gaming machine entitlement limits imposed by section 3.4A.5 of Gambling Regulation Act.</b>	<b>27,372</b>	<b>100</b>
Allocated to venue operators	27,091	98.97
Number of gaming machines entitlements attached to an approved venue	26,532	96.93
<b>Gaming machine entitlements inside / outside the Melbourne Statistical Division (MSD)</b>		
Minimum outside MSD	5,474	20
Maximum inside MSD	21,898	80
Current outside	7,841	28.65
Current inside	19,395	70.86
<b>Number of gaming machine entitlements</b>		
Venue condition ‘Hotel’	13,686	50
Venue condition ‘Club’	13,550	49.50
<b>Number of gaming machines entitlements attached to an approved venue</b>		
Venue condition ‘Hotel’	13,591	49.65
Venue condition ‘Club’	12,941	47.28

## Appendix 3: Additional information

Information available on our website includes:

- bingo centres and commercial raffle organisers
- codes of conduct
- Commission reasons for decisions following hearings and inquiries
- community benefit statements
- demerit points 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
- liquor licences
- liquor signage
- laws and regulations
- Ministerial directions
- RSG training course providers
- RSA training course providers
- Roll of Manufacturers, Suppliers and Testers
- self-exclusion programs
- VCGLR directions and guidelines.

### Gambling licensing-related activity

#### Employee licensing

The VCGLR issued 2,530 new licences and 378 renewed licences for gaming industry employees, casino special employees and bookmaker's key employees in the latest reporting period. There were 32,977 active licences at 30 June 2013, compared to 33,634 at 30 June 2014.

#### Minor gaming

The VCGLR determined 334 applications to be declared as community and charitable organisations and 187 applications seeking to renew their status to enable legitimate community and charitable gaming activities such as bingo and raffles.

We issued permits and notifications for 2,915 trade promotion lotteries and 1,139 minor gaming activities (including raffles) to support their conduct. Legislative changes introduced on 20 June 2015 mean a permit is no longer required to conduct trade promotion lotteries in Victoria.

#### Commercial licensing

The VCGLR undertook 1,461 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. The substantially higher figure for assessments this year was due to the resumption of renewal of venue operator's licence applications.

We 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. We considered applications relating to Responsible Gambling Codes of Conduct, the transfer of gaming machine entitlements and amendments to gaming machine entitlement conditions.

### Gambling products

The VCGLR determined 142 changes to the electronic systems and equipment that underpin lotteries, Keno and wagering and betting. Some of these changes improved system efficiency, while others supported the introduction of new or amended gambling products. For example, some lottery system variations were to support the new lottery product "Set for Life" which was introduced following approval by the Minister for Consumer Affairs, Gaming and Liquor Regulation, while others were implemented to prepare for "Lucky Lotteries", which was introduced after the end of the financial year. Similarly, wagering system changes included variations to enable the new "Cash Out" product, and the Keno system was varied for the introduction of jackpot pooling with NSW.

We determined applications for approval from manufacturers and suppliers for 179 new games or gaming machines and 737 variations to existing games or gaming machines, to be supplied to gaming venues or the Melbourne casino. Each application was accompanied by independent test reports, artwork, player information displays and mathematical bases for games and payouts. We examined applications thoroughly to ensure they complied with relevant legislation and standards, including the minimum player return, game fairness and security, as well as responsible gambling issues. The substantially higher figure for variations this year was due, in part, to the introduction of software and hardware to all machines to support the introduction of pre-commitment by 1 December 2015.

During the year, we determined 15 applications for variations to the monitoring system used for monitoring games and machines in clubs and hotels. Such changes are submitted to us by the monitoring licensee for assessment against standards to ensure integrity in the monitoring of gaming machines and the tracking of revenue. In addition to their role in monitoring, the electronic monitoring systems are now being assessed for their ability to facilitate state wide pre-commitment.

#### Sports betting

In Victoria, wagering providers may only provide bets on racing products or on betting events that have been approved by the VCGLR. During the year, no

new sports betting events were approved as suitable for betting.

Wagering providers may accept bets on any approved sports betting event but can only do so in the case of an event that is controlled by an approved sports controlling body if they have an information and revenue sharing agreement in place with the body.

In 2014–15, the VCGLR approved one new sports controlling body, Bowls Australia. As of 30 June 2015, there were 10 approved sports controlling bodies. During the year the VCGLR varied the approval previously given to the Australian Rugby Union making them responsible for the National Rugby Championship as a sports betting event.

#### Monitoring standards

Integrity of sports betting is a key focus for the VCGLR. We conducted a series of risk-based and intelligence-led reviews of three sports controlling bodies to assess their suitability to remain approved as sports controlling bodies for the sports betting events for which they are responsible. Reviews of the AFL, Tennis Australia and Professional Golfers Association of Australia were completed and each agency was found suitable to remain an approved sports controlling body.

In the year under review, we initiated disciplinary action in relation to 25 gambling industry licence holders: 18 matters were finalised and seven are yet to be completed. A further four matters were finalised which were initiated in the previous reporting period.

No venue operators were issued with letters of censure for failing to lodge audited Community Benefit Statements by 30 September 2014. There were eight such breaches in the previous year.

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

It is mandatory for commercial gambling providers to have an approved responsible gambling code of conduct and for gaming venue operators to conduct an approved self-exclusion program. The VCGLR is required to provide a report to the Minister each year on the operation and effectiveness of codes of conduct and self-exclusion programs, including the level of compliance and if any disciplinary action was taken for repeated breaches. This report was submitted to the Minister on 30 September 2014.

### Gaming machine entitlements

The VCGLR manages the attachment, amendment, transfer, payment and extension of relevant holding periods relating to gaming machine entitlements. In the year to 30 June 2015, we determined:

- 35 applications for the amendment of the geographic conditions attached to an entitlement relating to 144 hotel entitlements and 114 club entitlements, all of which were granted
- 58 applications for the transfer of entitlements, relating to 548 hotel entitlements and 171 club entitlements, all of which were granted

- 64 applications to extend the entitlement holding period, all of which were granted.

In the year ending 30 June 2015, 26 club entitlements were forfeited, bringing the total of forfeited entitlements to 209. The 26 entitlements were forfeited as they had not been utilised within the holding period and no extension of the holding period had been sought by the entitlement holder.

As of 30 June 2015, 501 entitlements (428 club entitlements and 73 hotel entitlements) were subject to the holding period provisions. The holding periods for these entitlements have been extended by us upon application by entitlement holders.

Table 7: Gambling licensing-related activity

Licence or approval type			2013–14	2014–15
Gaming industry employee	Issued	New	2,130	1,914
		Renewal	326	306
		Replacement	405	336
	Refused		20	7
		Appealed	1	0
		Appeal granted	1	0
		Appeal rejected	0	0
		Appeal pending	0	0
		Appeal withdrawn	0	0
Casino special employee	Issued	New	573	605
		Renewal	139	72
		Replacement	132	113
		Upgrade	49	107
	Refused		1	0
		Appealed	0	0
		Appeal granted	0	0
		Appeal rejected	0	0
		Appeal pending	0	0
Appeal withdrawn		0	0	
Casino operator		Associate	4	2

Table 7: Gambling licensing-related activity (continued)

Venue operator	Issued	New	19	7
		Renewal	0	64
	Refused	Nominee	65	123
		Associate	625	1,093
		Amendment	48	17
		Endorsement	0	1
Bookmakers	Issued	Sole traders (new)	11	13
		Sole traders (renewal)	2	4
	Refused	Corporate (new)	0	0
		Corporate (renewal)	0	0
		Partnerships (new)	22	11
		Partnerships (renewal)	0	1
		New nominee	0	0
		New associate	0	2
		Replacement	3	0
		Appealed	1	2
		Appealed	0	0
Bookmaker's key employees	Issued	New	10	11
		Renewal	0	0
		Replacement	2	2
	Refused		1	0
		Appealed	1	0
		Appeal granted	1	0
		Appeal rejected	0	0
		Appeal pending	0	0
		Appeal withdrawn	0	0
Bingo centre operator	Issued	New	1	1
		Renewal	1	2
	Refused	Nominee	2	3
		Associate	6	15
		Amendment	0	3

Table 7: Gambling licensing-related activity (continued)

Licence or approval type			2013–14	2014–15
	Refused		0	2
	Appealed		0	0
		Appeal granted	0	0
		Appeal rejected	0	0
		Appeal pending	0	0
		Appeal withdrawn	0	0
Commercial raffle organisers	Issued	New	2	2
		Renewal	2	1
		Nominee	4	3
		Associate	43	17
		Amendment	n/a	n/a
	Refused		0	0
Controlled contracts	Issued	New	n/a	n/a
		Variations	n/a	n/a
		Exemptions	n/a	n/a
Roll of Manufacturers, Suppliers and Testers	Issued	New	4	1
		Associate	49	63
	Refused		0	0
		Voluntary removal	0	0
Public lottery		Associate	5	2
Wagering and betting		Associate	1	1
Keno		Associate	0	1
EGM monitor		Associate	2	4
Minor gaming permits	Issued	Raffles	445	547
		Bingo (notifications)	30	46
		Lucky envelopes	191	337
		Fundraising events	28	26
		Amendments	198	183
	Refused		1	1
Trade promotion lottery permits <sup>1</sup>	Issued	New	2,371	2,396
		Amendments	507	519

Table 7: Gambling licensing-related activity (continued)

	Refused		0	0
Declaration of community or charitable organisation	Issued	New	315	332
		Renewal	247	178
	Refused		62	11
	Revoked		0	0
	Appealed		0	2
		Appeal granted	0	1
		Appeal rejected	0	0
		Appeal pending	0	1
		Appeal withdrawn	0	0
	Reviewed		0	0
Gambling product	Approved	New EGMs and EGM games	222	178
	Approved	Modification to EGMs, games and systems	285	737
	Approved	Linked jackpot arrangements in venues	191	122
	Approved	Modification to wagering system	90	82
	Approved	Modifications to Keno system	11	13
	Approved	Modification to lottery system	58	47
	Approved	Variations to betting rules	1	1
	Approved	Variations to lottery rules	6	10
	Approved	New or variations to casino games or rules	8	15
	Approved	Sports betting event	3	0
	Approved	Sports controlling body	1	1
	Approved	Variation to sports controlling body	0	1

Note:

1. From 20 June 2015 a permit is no longer required for trade promotion lotteries.

EGM = electronic gaming machine

Table 8: Number of active gaming employee licences and registrations at 30 June 2015

Category	2012–13	2013–14	2014–15
Casino special employees	3,922	3,970	4,070
Gaming industry employees	30,586	29,456	28,703
Bookmaker's key employees	209	208	204
<b>Total</b>	<b>34,717</b>	<b>33,634</b>	<b>32,977</b>



## Gambling audit and risk assurance

### Revenue and operational assurance

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

- Successful facilitation of the tax collection regime for gaming venues.
- Through the process of direct sweeping of gaming tax obligation from a venue’s nominated bank account, we successfully collected 99.99 per cent of taxes payable from gaming venues, with only \$30,393.75 outstanding since 16 August 2012. A total amount of \$2,565,255,865.14 has been receipted from gaming venues since 16 August 2012 in relation to gaming tax payable. The process, introduced in September 2012 has been

extremely successful and has enabled the efficient and effective use of VCGLR and venue resources to ensure prompt collection of amounts payable and adherence to statutory obligations.

- Gambling expenditure data published on our website in accessible formats. To allow for efficient and effective use of gambling data by external stakeholders, we release expenditure data in a user friendly spreadsheet-based data format. This allows for increased flexibility for external users to manipulate data and perform independent analysis. Benefits to the industry included an ability to immediately perform specific data analysis. This also reduces the administrative burden on us in undertaking a change in simple historical expenditure related requests.

### Gambling player loss and taxes and levies paid 2014–15

At 30 June 2015, player loss in its various forms within Victoria amounted to \$5,811.6 million, and taxes and levies paid to the State of Victoria amounted to \$1,627.3 million.

Table 9: Player loss and taxes paid by category

Source	Player loss \$m	Taxes and levies paid into the Consolidated Fund \$m
Gaming machines – hotels and clubs	2,571.9	961.6
Melbourne casino – gaming machines and table games <sup>1</sup>	1,864.4	205.4
Wagering–racing (totalisator), football, trackside and sports betting	857.9	58.7
Lotteries <sup>2</sup>	500.6	397.5
Keno	16.7	4.1
<b>Total:</b>	<b>5,811.6</b>	<b>1,627.3</b>

Notes:

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

2. Victoria only

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

Gaming machines – hotels and clubs			
1 July 2014–30 June 2015			
	Average monthly player loss per machine		
	less than \$2,666	between \$2,666 and \$12,499	above \$12,500
Clubs	0%	46.70%	54.20%
Hotels <sup>1</sup>	8.33%	55.03%	62.53%
Casino 2014–15 – Gaming machines and table games			
General player casino tax (tables only)	21.25% of player loss		
General player casino tax (gaming machines only)	31.57% of player loss		
Commission based player tax (tables and gaming machines)	9% player loss		
Community Benefit levy (all players)	1% player loss		
Wagering 2014–15			
Totalisator (pari-mutuel) betting	7.60% of player loss		
Approved betting competition	7.60% of player loss		
Fixed Odd 2014–15			
Fixed Odds sportsbetting	4.38% of player loss		
Fixed Odds trackside	10.91% of player loss		
Lotteries 2014–15			
Public lottery tax (Australian sales)	79.40% of player loss		
Public lottery tax (overseas sales)	90% of player loss		
Soccer pools gaming tax (Australian sales)	57.52% of player loss		
Soccer pools gaming tax (overseas sales)	68% of player loss		
Keno 2014–15			
Gaming tax	24.24% of player loss		

Note:

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

Table 11: Supervision of lottery draws

Draw type	Draws supervised 2014–15
Super 66	7
Tattslotto	7
Oz lotto	8
Powerball	9
<b>Total</b>	<b>31</b>

Note:

The last lottery draw conducted in Victoria occurred in August 2014. Supervision draws are now conducted in Queensland.

Table 12: Tax collection analysis by month

Taxable month	Number of taxed venues for month			
	Scheduled for collection <sup>1</sup>	Failed initial sweep	Gaming tax subsequently collected	Gaming tax collection outstanding
July 2014	485	0	n/a	0
August 2014	485	0	n/a	0
September 2014	477	0	n/a	0
October 2014	490	2	2	0
November 2014	479	0	n/a	0
December 2014	478	0	n/a	0
January 2015	482	0	n/a	0
February 2015	464	2	2	0
March 2015	478	0	n/a	0
April 2015	474	0	n/a	0
May 2015	478	3	3	0
June 2015	474	1	1	0

Note:

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

## Community Benefit Statements

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

## Summary of the total claims made by club gaming venues

This report shows information for Community Benefit Statements lodged in 2013–14 in accordance with the determination of 1 July 2012 made by the Minister for Gaming. Community Benefit Statements are due by 30 September each year and are made available on our website ([vcglr.vic.gov.au](http://vcglr.vic.gov.au)) when lodged. Following audit, combined summary tables are also made available on our website in November or December of each year. Information for the previous financial year is then published in the next VCGLR annual report.

Table 13: Community Benefits Statements

	Clubs
Number of Community Benefit Statements lodged (as at 27 October 2014)	246
	<b>\$'000</b>
2013–14 Net Gaming Revenue (NGR)	845,694
<b>Community Benefit Statement claims</b>	
<b>CLASS A</b>	<b>\$'000</b>
(a) Donations, gifts and sponsorships (including cash, goods and services)	18,582
(b) Cost of providing and maintaining sporting activities for use by club members	25,671
(c) Cost of any subsidy for the provision of goods and services but excluding alcohol	12,413
(d) Voluntary services provided by members and/or staff of the club to another person in the community	4,716
(e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	2,385
<b>CLASS A – TOTAL</b>	<b>63,225</b>
<b>CLASS B</b>	<b>\$'000</b>
(a) Capital expenditure	6,225
(b) Financing costs (including principal and interest)	7,259
(c) Retained earnings accumulated during the year	291
(d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	1,029
(e) Operating costs	194,624
<b>CLASS B – TOTAL</b>	<b>209,428</b>
<b>CLASS C</b>	<b>\$'000</b>
(a) Provision of responsible gambling measures and activities but excluding those required by law	4
(b) Reimbursement of expenses reasonably incurred by volunteers	261
(c) CBS preparation and auditing expenses	272
<b>CLASS C – TOTAL</b>	<b>537</b>
<b>CBS TOTAL (CLASS A + B + C)</b>	<b>273,678</b>
Percentage of NGR claimed for community purposes	32.36%

## Liquor licensing-related activity

We determined 15,367 liquor licence-related applications compared to 16,014 in the previous year (Table 14). This included applications for new permanent liquor licences and permits, temporary and major event licences, variations to existing licences and permit conditions, and transfer of existing licences or permits. The majority of applications (62 per cent) were for temporary limited or major event licences.

Of the 15,873 finalised applications (being the total of all granted, refused and withdrawn applications), 86 per cent were finalised within 60 days of lodgement, compared to 88 per cent in the previous year. As of 30 June 2015, 13 per cent of applications awaiting determination had been pending for more than 60 days, compared to 17 per cent on 30 June 2014 and 22 per cent on 30 June 2013.

Of the total applications finalised, 96 per cent were granted, one per cent were refused and three per cent were withdrawn by the applicant.

In a small proportion of finalised applications (2.3 per cent), objections to the grant of the applications were received from Victoria Police, local councils or community members. The majority of these applications (61 per cent) did not proceed as contested applications as either the objection was withdrawn or the application was withdrawn. Of those applications that did proceed as contested, 75 per cent were granted, often with special conditions.

As of 30 June 2015, there were 21,027 active permanent liquor licences, which represented a two per cent increase on the previous year. This was largely driven by an additional 493 restaurant and cafe licences and 375 renewable limited licences.

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

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

The VCGLR issued 13,312 proof of age cards during the year, which are intended to be used to verify that a card holder is aged 18 years or over for the purpose of entering licensed premises. This year's figure represents a 6.8 per cent decrease to the last financial year (2013–14: 14,288 cards).

At 30 June 2015, a total of 65 venues incurring a total of 81 demerit points, were included in the demerit point register, as follows:

- one demerit point – 53 licences
- two demerit points – nine licences
- three demerit points – two licences
- four demerit points – one licence.

The demerits register is published on the VCGLR website.

Table 15: Licences granted by licence type

	2012–13	2013–14	2014–15
<b>New permanent licences</b>			
Full club licence	1	2	1
Restricted club licence	7	2	6
General licence	33	26	27
Late-night (general) licence	4	0	0
On-premises licence	56	73	85
Late-night (on-premises) licence	1	2	0
Renewable limited licence	385	315	375
Packaged liquor licence	61	64	65
Late-night (packaged liquor) licence	0	0	0
Pre-retail licence	152	117	154
Restaurant and cafe licence	467	427	493
Wine and beer producer's licence	74	24	28
BYO permit	122	131	133
<b>Total new permanent licences</b>	<b>1,363</b>	<b>1,183</b>	<b>1,367</b>
<b>New temporary licences</b>			
<b>Total temporary licences<sup>1</sup></b>	<b>9,380</b>	<b>9,647</b>	<b>9,552</b>

Note:

1. Includes temporary limited licences and major event licences.

Table 14: Total liquor licence applications

	2012–13	2013–14	2014–15
Lodged	15,504	15,971	15,654
Finalised	16,101	16,014	15,873

Note:

Applications include, but are not limited to, applications for permanent licences, BYO permits and temporary limited licences, applications to vary an existing licence/permit, applications to transfer an existing licence/permit, requests to approve directors and nominees, and applications for fee waivers or reductions. The majority of applications are for the granting of a temporary limited licence. The "finalised" figure includes both determined and withdrawn applications.

Table 16: Proof of age cards issued

2012–13	2013–14	2014–15
10,705	14,288	13,312

Table 17: 2014–15 RSA and Advanced RSA participant numbers

Course activity	Number of participants
RSA	77,717
RSA online refresher	37,291
Train-the-trainer program	37
New Entrant Training	1,968
Clubs Seminar program	431
Advanced RSA program	112

## Designated areas

Under section 147 of the Liquor Control Reform Act, the Commission has the power to declare an area in Victoria to be a designated area.

The Commission determines requests in consultation with the Chief Commissioner of Police. Designations are intended to reduce or prevent the occurrence of alcohol-related violence or disorder in the immediate vicinity of licensed premises.

During 2014–15, the Commission declared a 12-month extension to existing designated areas in Footscray, Mornington, Colac and Mildura.

## Red tape reduction performance

In its July 2014 response to the then Minister for Liquor and Gaming Regulation’s statement of expectations, the VCGLR committed to publish a range of measures in our annual report to enable the community and industry to monitor its performance in reducing regulatory burden.

The following tables present data measuring the VCGLR’s performance reducing regulatory burden in relation to gambling and liquor licence applications and Commission inquiries in 2011 and 2014.

For information about the methodology used please refer to the Annual Report 2013–14 or contact the VCGLR.

Table 18: Red tape reduction – licensing

Application type	Period	Number of applications lodged and finally determined	Average determination time (days)	Per cent change
<b>Liquor licensing</b>				
Application for a new permanent liquor licence	2011	899	105.46	
	2014	1145	74.56	-29
Application for a new BYO permit	2011	130	55.06	
	2014	145	49.28	-10
Application for a temporary liquor licence served on Victoria Police for comment	2011	3055	33.86	
	2014	1724	32.82	-3
Application for a temporary liquor licence not served on Victoria Police for comment	2011	7163	7.95	
	2014	7894	9.22	16
Application for the temporary approval of unaccompanied minors on licensed premises	2011	77	37.95	
	2014	39	15.18	-60
Application to transfer a liquor licence or BYO permit	2011	1363	75.68	
	2014	1501	55.50	-27
<b>Gambling licensing</b>				
Application for a trade promotion lottery permit	2011	2928	7.63	
	2014–15	2217	4.66	-39
Application to conduct a raffle	2011	345	6.06	
	2014–15	475	3.67	-39
Application to sell lucky envelopes	2011	246	4.83	
	2014–15	279	2.52	-48
Application to conduct fundraising events	2011	96	7.21	
	2014–15	23	3.17	-56
Weighted average reduction				-11

## Appendix 4: Compliance, audit and enforcement

### Gambling licence compliance activity 2014–15

Table 19: Red tape reduction – Commission inquiries

Matter type	Period	Number of matters	Number of matters that went to hearing	Average days spent in hearing for all matters	Average number of directions hearings for all matters	Average decision time (days)	Per cent change
Reviews of licensing decisions	2011	13	3	0.23	0.92	184.62	
	2014	25	17	0.68	0.08	67.32	-64
Disciplinary and amenity hearings against liquor licence holders	2011	9	6	0.78	2.11	102.78	
	2014	1	1	Numbers too low to draw a comparison	Numbers too low to draw a comparison	Numbers too low to draw a comparison	
Contested liquor licence applications	2011	56	46	0.82	n/a	216.95	
	2014	104	11	0.10	0.01	145.14	-33
Reviews of gambling decisions	2011	9	7	0.78	n/a	65.11	
	2014	6	5	0.83	n/a	39.00	-40
Disciplinary matters against gambling licence holders and other related entities	2011	27	2	0.07	n/a	127.81	
	2014	26	0	0	n/a	60.19	-53
Applications for EGM premises	2011	12	10	1.42	n/a	115.33	
	2014	19	19	1	n/a	107.79	-7

Note:  
EGM = electronic gaming machine

Table 20: Prosecutions under the Gambling Regulation Act in date order

Name	Relevant Offence	Court date	Court result
Tabcorp Wagering (VIC) Pty Ltd	Two breaches of section 10.7.3(1) of the Gambling Regulation Act (gambling provider must not allow a minor to gamble).	22 May 2015	Diversion Plan entered into with the following conditions: <ul style="list-style-type: none"> <li>• Donate \$1000 to Gambler's Help by 23 May 2016</li> <li>• Complete the Diversion program and provide written evidence of its completion of all aspects to the VCGLR</li> <li>• The VCGLR will notify court as to the satisfactory completion of program before 23 May 2016.</li> </ul>

Table 21: Gaming venue operator disciplinary action in date order

Venue operator	Grounds	Decision Date	Result
Orrong Holdings Pty Ltd	The venue operator failed to have sufficient funds in its nominated gaming account for gaming tax sweeps which occurred in July 2013, January 2014 and March 2014 in respect of McCartins Hotel.	24 September 2014	Letter of censure
Wet Redgum Pty Ltd	The venue operator failed to have sufficient funds in its nominated gaming account to pay gaming taxes within seven days after the end of the calendar month for gaming conducted in the months of January and March 2014 in respect of the Town Hall Hotel Stawell.	5 November 2014	Letter of censure

Note:  
 'Relevant offence' in relation to a venue operator means either:
 

- an offence against a gaming act or gaming regulations
- an offence arising out of or in connection with the management or operation of an approved venue
- an indictable offence, or an offence that, if committed in Victoria, would be an indictable offence, the nature or circumstances of which, in the opinion of the Commission, relate to an approved venue of the venue operator.

Table 22: Gaming industry employee disciplinary action in date order

Grounds	Decision Date	Result
An individual found guilty of a 'relevant offence', failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	18 August 2014	Licence cancelled
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	2 September 2014	Licence cancelled
An individual found guilty of a 'relevant offence'.*	23 September 2014	Letter of censure
An individual found guilty of a 'relevant offence', failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	25 September 2014	Licence cancelled
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	3 October 2014	Licence suspended until 22 December 2015
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	7 October 2014	Licence suspended until 31 January 2016
An individual found guilty of a 'relevant offence' and is considered to be no longer a suitable person to hold the licence.*	10 November 2014	Licence cancelled
An individual failed to provide required information.*	14 January 2015	Letter of censure
An individual found guilty of a 'relevant offence', failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	3 February 2015	Licence cancelled
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	22 February 2015	Licence cancelled
An individual failed to provide required information.*	10 March 2015	Letter of censure
An individual initially considered to be an unsuitable person to hold the licence.**	12 March 2015	Letter of censure
An individual initially considered to be an unsuitable person to hold the licence.**	18 March 2015	Letter of censure
An individual failed to provide required information.*	29 June 2015	Letter of censure

Notes:

All the above matters except those marked \* involved Victoria Police prosecutions. After a finding of guilt from a prosecution, the VCGLR then subsequently took disciplinary action.

\*\*These matters did not involve a prosecution prior to the VCGLR taking disciplinary action.

Relevant offence in relation to a licensee means either:

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

Table 23: Casino operator disciplinary action

Venue operator	Grounds	Decision Date	Result
Crown Melbourne Limited	Minor entering the casino floor	15 June 2015	Letter of censure

Table 24: Casino special employee disciplinary action in date order

Grounds	Decision Date	Result
An individual considered to be no longer a suitable person to hold a licence.**	4 July 2014	Licence cancelled
An individual initially considered to be no longer a suitable person to hold a licence.**	31 October 2014	Letter of censure
An individual considered to be no longer a suitable person to hold a licence.**	18 December 2014	Licence cancelled
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	22 January 2015	Licence cancelled
An individual failed to provide required information.*	15 April 2015	Letter of censure
An individual failed to provide required information and is considered to be no longer a suitable person to hold the licence.*	29 June 2015	Licence cancelled

Notes:

All the above matters except those marked \* involved Victoria Police prosecutions. After a finding of guilt from a prosecution, the VCGLR then subsequently took disciplinary action.

\*\*These matters did not involve a prosecution prior to the VCGLR taking disciplinary action.

Relevant offence in relation to a licensee means either:

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

Table 25: Prosecutions under the Casino Control Act in date order

Relevant Offence	Court date	Court result
Nine charges against an individual for breaching a Casino Exclusion Order (section 77).	10 July 2014	With conviction, fined \$1900 plus costs of \$498.
Five charges against an individual for breaching a Casino Exclusion Order (section 77).	16 July 2014	With conviction, fined \$2000 plus costs of \$500.
One charge against an individual for breaching a Casino Exclusion Order (section 77).	9 September 2014	With conviction, fined \$500 plus costs of \$600.
Four charges against an individual for breaching a Casino Exclusion Order (section 77).	17 September 2014	With conviction, fined \$100 plus costs of \$500.
Two charges against an individual for breaching a Casino Exclusion Order (section 77).	9 October 2014	Without conviction, adjourned undertaking for 18 months good behaviour and \$300 donation to Sunshine Hospital within 10 months.
Thirteen charges against an individual for breaching a Casino Exclusion Order (section 77).	16 October 2014	With conviction, fined \$5000 plus costs of \$600.
One charge against an individual for breaching a Casino Exclusion Order (section 77).	16 October 2014	Without conviction, fined \$350 plus costs of \$600.
Six charges against an individual for breaching a Casino Exclusion Order (section 77).	11 November 2014	With conviction, fined \$1500 plus costs of \$113.90.
Three charges against an individual for breaching a Casino Exclusion Order (section 77).	17 December 2014	With conviction, fined \$750 plus costs of \$500 stayed to 14 January 2015.
One charge against an individual for breaching a Casino Exclusion Order (section 77).	10 February 2015	With conviction, fined \$1000 plus costs of \$500 stayed to 10 July 2015.
Seventeen charges against an individual for breaching a Casino Exclusion Order (section 77).	12 February 2015	Without conviction, adjourned undertaking for 12 months good behaviour plus costs of \$300.

Table 25: Prosecutions under the Casino Control Act in date order (continued)

Relevant Offence	Court date	Court result
Five charges against an individual for breaching a Casino Exclusion Order (section 77).	24 February 2015	With conviction, fined \$2000 plus costs of \$500 stayed for one month.
Two charges against an individual for breaching a Casino Exclusion Order (section 77).	23 April 2015	With conviction, fined \$2000 plus costs of \$500 stayed for one month.
Two charges against an individual for breaching a Casino Exclusion Order (section 77).	23 April 2015	Without conviction, fined \$800 plus costs of \$500 stayed for one month.
Five charges against an individual for breaching a Casino Exclusion Order (section 77).	17 June 2015	With conviction, fined \$850 plus costs of \$500.
Eight charges against an individual for breaching a Casino Exclusion Order (section 77).	24 June 2015	With conviction, adjourned to 23 June 2017 with undertaking for 24 months good behaviour plus costs of \$800.

## Appeals against exclusion orders

During the period of 1 July 2014 to 30 June 2015, 11 appeals were lodged against exclusion orders issued by Crown under section 72 of the Casino Control Act, which prohibits persons from entering or remaining in the Melbourne casino.

Of the 11 appeals lodged, one appeal was partially allowed, seven were rejected, one appeal was lodged incorrectly, one appeal was withdrawn and one appeal is yet to be determined.

## Warnings and infringement notices (gambling)

In November 2014, the VCGLR inspectorate was given the power to issue penalty infringement notices and official warning notices for a range of offences under the Gambling Regulation Act and Casino Control Act. As a result of these changes, 121 infringement notices were issued between January 2015 and the end of the financial year. In 2014–15, 140 official and informal warnings were issued to casino patrons breaching their exclusion orders. Eighty-one written warnings were issued for breaches at gambling venues other than the Melbourne casino.

Table 26: Number of gambling-related warnings and infringements issued by VCGLR in 2014–15 by type

Type of written warning	Number
Written warnings – Gambling Regulation Act	81
Official and informal warning letters for exclusion breaches under the Casino Control Act (Pre November 2014 changes)	140
Infringements for exclusion breaches under the Casino Control Act (Post November 2014 changes)	121
Infringements issued under the Gambling Regulation Act	0

## Liquor licence compliance activity 2014–15

Table 27: Prosecutions under the Liquor Control Reform Act in date order

Name	Offence and date committed	Court date	Court result
A&A (Ind) Pty Ltd	Unlicensed selling of liquor – Section 107 (1) of the Liquor Control Reform Act 13 March 2014	16 December 2014	Without conviction, fined \$1000 plus costs of \$400 stayed to 13 March 2015.
Jshin Investments Pty Ltd	Permit Liquor to be consumed on licensed premises not in accordance with licence – Section 108 (1)(a)(iii) of the Liquor Control Reform Act 15 February 2015	4 May 2015	With conviction, fined \$1000 plus costs of \$3300

Note:  
Victoria Police also prosecutes under the Liquor Control Reform Act. These are not included here.

Table 28: Enforceable undertakings under the Liquor Control Reform Act in date order

Licensee	Premises	Licence type	Commencement date	Length of undertaking
Liquorland (Australia) Pty Ltd	Liquorland, Shepparton South	Packaged liquor licence	1 December 2014	One year

Note:  
Additional information published on VCGLR website.

Table 29: Disciplinary action inquiry under Section 91 of the Liquor Control Reform Act

Name	Grounds	Decision Date	Commission decision
Sumeet Dhingra (Attik)	S.90(1)(h) S.90(1)(q)	22 July 2014	The Licence will be endorsed with the following notation: <i>“On 22 July 2014, the Licensee was subject to a Commission inquiry into whether there were grounds to take disciplinary action against him based on criminal proceedings in the Magistrates’ Court to which he entered a plea of guilty. The Commission condemns the behaviour the subject of those proceedings as unacceptable but has elected not to take any further action against the Licensee.”</i>
Eureka Geelong Hotel Pty Ltd	S.90(1)(d) S.90(1)(q)	29 June 2015	<i>To impose a fine of \$5000 under section 93(1)(b) and to accept a written undertaking. The undertaking is binding for two years from the date it is given and subject to the following condition:</i>  <i>The Licensee shall not cause or permit any advertising or promotional material that is likely to encourage irresponsible consumption of alcohol or include reference to universities, students or student holidays.</i>

## Warnings and infringement notices (liquor)

Warning letters issued for breaches of the Liquor Control Reform Act totalled 1,291 in the reporting period. Infringement notices issued for breaches of the Liquor Control Reform Act totalled 273.

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



## Appendix 5: Governance

### Corporate governance

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

The VCGLR is managed in a transparent, accountable and responsible way through effective corporate governance. The following diagram shows how the framework's principles and practices enable the Commission to achieve good governance. The full framework is publicly available on the VCGLR website.

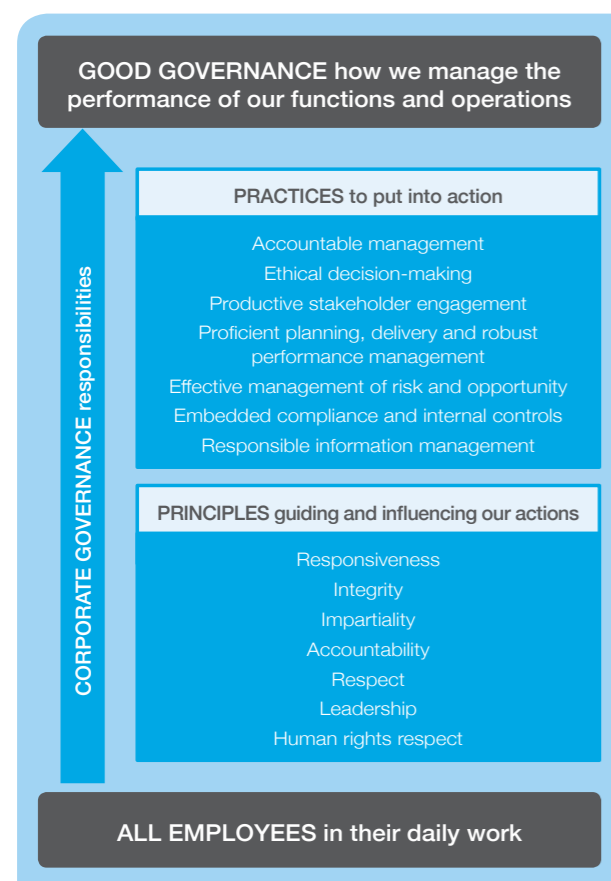


Figure 2. VCGLR Governance Framework

### Occupational health and safety

The VCGLR provides employees with a healthy and safe working environment. The Occupational Health and Safety (OHS) policy ensures that the VCGLR is meeting its obligations and educating its employees, by providing future direction to continuously improve the working environment of the organisation for the benefit of all employees.

In the year 2014–15, the VCGLR's Health and Safety Committee met quarterly to proactively identify and assist in reducing work-related risks to our employees. The major achievements for the year include:

- reviewing and deploying the OHS policy framework
- embedding compliance and risk management into the operations of the Health and Safety Committee, particularly the review of reports of risks, incidences and hazards, key performance measures and trend analysis
- deploying a structured workplace inspection and maintenance program.

The VCGLR continues to provide health and wellbeing initiatives for our employees. Initiatives provided include flu vaccinations, ergonomic assessments and an Employee Assistance Program providing personal and confidential counselling to employees, as well as 'Spring into September' which focuses on our employees' holistic wellbeing.

There were five new standard VCGLR WorkCover claims for the year 2014–15, compared with three standard claims for the year 2013–14. The total cost of the claims for 2014–15 was \$99,720 which is a decrease from the year 2013–14 with a total cost of \$129,986.

Table 30: OHS data

Measure	KPI	2012–13	2013–14	2014–15
Incidents	Number of Incidents <sup>1</sup>	38	26	15
	Rate per 100 FTE	18.1	14.14	8.16
Claims	Number of standard claims <sup>2</sup>	4	3	5
	Rate per 100 FTE	1.91	1.63	2.72
	Number of lost time claims <sup>2</sup>	2	3	4
	Rate per 100 FTE	0.95	1.63	2.18
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim <sup>2</sup>	\$1033	\$43,329	\$19,944

Notes:

1. Includes all incidents reported by employees via the VCGLR's incident reporting process. An incident is reported if there is any event resulting in, or with the potential for, injury, ill health, damage or other loss.
2. Victorian WorkCover Authority (VWA) data supplied by agent as at 18 July 2015. Total standard claims and time lost claims includes accepted and rejected claims.

### Public administration values and employment principles

We continue to adhere to the Public Administration Act with respect to upholding public sector conduct, managing and valuing diversity, managing performance and recruiting on merit. We have a suite of detailed employment policies, including policies with respect to grievance resolution, recruitment and selection, misconduct and performance management. These policies have been implemented across the organisation.

### Carers Recognition Act 2012

We consider the carer relationships principles set out in the *Carers Recognition Act 2012* when setting policies and providing services. For example, we offer flexible working arrangements and carer's leave to support employees with their carer responsibilities.

### VCGLR workforce data

Table 31: VCGLR staffing as at 30 June 2015

	Ongoing				Fixed term and casual		Total	
	Number (Headcount)	Full time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE
June 2015	172	156	16	166.79	17	17	189	183.79
June 2014	175	166	9	171.84	13	12.08	188	183.92

Table 32: VCGLR staffing profile (headcount) by gender and age as at 30 June 2015

	June 2015				June 2014		
	Ongoing		Fixed term and casual		Ongoing		Fixed term and casual
	Number (Headcount)	FTE	FTE		Number (Headcount)	FTE	FTE
<b>Gender</b>							
Male	94	93.55	8		92	92	7
Female	78	73.24	9		83	79.84	5.08
<b>Age</b>							
Under 25	2	2	1		5	4.6	1
25–34	37	35.75	9		43	41.24	5.9
35–44	43	39.79	3		36	35	4.18
45–54	52	51.9	2		52	52	0
55–64	34	33.35	2		36	36	1
65+	4	4	0		3	3	0

Table 32: VCGLR staffing profile (headcount) by gender and age as at 30 June 2015 (continued)

Classification	June 2015			June 2014		
	Ongoing		Fixed term and casual	Ongoing		Fixed term and casual
	Number (Headcount)	FTE	FTE	Number (Headcount)	FTE	FTE
VPS 2	22	20.59	1	20	18.99	1
VPS 3	42	40.8	7	46	45.5	2.9
VPS 4	57	54.92	2	52	50.85	2.18
VPS 5	31	30.7	4	33	32.5	2
VPS 6	16	15.78	3	20	20	4
STS	2	2	0	1	1	0
Executives	2	2	0	3	3	0

**Notes:**

All figures reflect active employees in the last full pay period of June of each year.

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

FTE means full time staff equivalent.

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

The VCGLR is a discrete agency within this portfolio. The Chair of the VCGLR is a public service body head who employs public servants independently of the Department. The VCGLR is required to produce its own annual report. Employee numbers for the VCGLR are published in that Annual Report.

Table 33: Executive staffing profile (headcount) by gender as at 30 June 2015

Gender	June 2015	June 2014
Male	1	1
Female	3	3

Table 34: VCGLR Executive Officers 2014–15

Occupant	From	To	Occupancy Status
<b>Chief Executive Officer</b>			
Catherine Myers	1 July 2014	30 June 2015	Acting
<b>Director Compliance</b>			
Karen Lees	1 July 2014	29 March 2015	Nominal
Matthew Sheens	30 March 2015	15 April 2015	Acting
Alan Stone	16 April 2015	30 June 2015	Acting
<b>Director Licensing</b>			
Alex Fitzpatrick	1 July 2014	30 June 2015	Nominal
<b>Director Strategy and Planning</b>			
Veronica Goluza	1 July 2014	30 June 2015	Acting

## Compliance with other legislation

Processes are in place so that policies are developed and reviewed to support the organisation in fulfilling its obligations under the Public Administration Act, *Equal Opportunity Act 2010*, guidelines set by the Victorian Public Sector Commissioner and other relevant legislation. This ensures our employment and training policies and practices address key principles such as merit and equity, fair and reasonable treatment, and equal opportunity.

## Risk management

### Compliance with the Victorian Government Risk Management Framework

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

The VCGLR has reviewed its risk management framework and processes and considers itself compliant with these mandatory requirements. The VCGLR Audit Committee has verified this view.

## Attestation

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



Dr Bruce Cohen

Chair, Victorian Commission for Gambling and Liquor Regulation

On this date 16 September 2015

## Audit committee

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

The Committee provides oversight of the:

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

The VCGLR Audit Committee comprised Mr David Boymal AM (Chair), Mr Des Powell AM, VCGLR Commissioner and Ms Kate Hamond, VCGLR Commissioner. All members are independent. The Committee met four times (13 August 2014, 10 November 2014, 2 March 2015 and 11 May 2015).

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

## Access to information and making a freedom of information request

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

In 2014–15, the VCGLR had an average processing time of 34.31 days, which is below the statutory requirement of 45 days.

Information about freedom of information requests handled during 2014–15 is set out in Table 35 and Table 36.

Table 35: Freedom of information requests received during 2014–15

Requests received	17
<b>Initial decision</b>	
Granted in full	2
Partially granted	9
Denied	1
Previously released	0
In progress	3
Non-existent document requested	4
Not proceeded with	0
Withdrawn	0
<b>Total</b>	<b>19<sup>1</sup></b>

Note:

1. Includes two requests carried over from 2013–14 and three requests in progress.

Table 36: Information about freedom of information requests received during 2014–15

Information about requests	
Transferred from another agency	4
Transferred to another agency	0
Average processing time (days)	34.31
Percentage of requests determined within statutory timeframe of 45 days	100%
Applications to the Freedom of Information Commissioner	0
Applications to the Victorian Civil and Administrative Tribunal	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 freedom of information request for documents must include the following:

- It must be in writing to the VCGLR Freedom of Information Officer or made online by accessing [foi.vic.gov.au/home/how+to+apply/making+a+request/](http://foi.vic.gov.au/home/how+to+apply/making+a+request/)
- It should clearly describe the documents being requested, and provide sufficient detail to enable the document(s) being sought to be identified.
- It should be accompanied by the appropriate application fee (currently \$27.20). If an applicant is suffering financial hardship, they may request the VCGLR to waive the application fee. Other costs (photocopying, search and retrieval charges) may be incurred in granting access to the documents requested. These will be communicated accordingly.

The written request should be addressed to:

Freedom of Information Officer  
 Victorian Commission for Gambling and Liquor Regulation  
 GPO Box 1988  
 Melbourne, Victoria 3001  
 or  
 49 Elizabeth Street  
 Richmond, Victoria 3121

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

## Protected disclosures

The VCGLR has procedures that comply with the requirements of the *Protected Disclosures Act 2012*. These procedures require that any disclosure of detrimental action, corrupt or improper conduct by

the VCGLR, members, staff or the public be reported to the Independent Broad-based Anti-corruption Commission (IBAC). 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.

There were no recommendations made by the IBAC or the Ombudsman that related directly to the VCGLR.

## Victorian Industry Participation Policy

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

## National Competition Policy

The VCGLR complies with the National Competition Policy.

## Environmental purchasing

In line with the Victorian Government's Environmental Purchasing policy, the VCGLR purchased only Australian-manufactured, 100 per cent recycled paper content and operated photocopiers and laser printers that are environmentally endorsed.

## Waste

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

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

Table 37: Paper use

Paper use	2013–14	2014–15
Paper used per FTE (reams)	21.28 <sup>1</sup>	17.87 <sup>2</sup>
Paper used in total (reams)	3913	3285

Notes:

1. The FTE figure used in this calculation is 183.92 and represents the staffing figure at the VCGLR at 30 June 2014. It does not include Commissioners, staff on leave without pay, staff on secondment, or contractors/agency staff.
2. The FTE figure used in this calculation is 183.79 and represents the staffing figure at the VCGLR at 30 June 2015. It does not include Commissioners, staff on leave without pay, staff on secondment, or contractors/agency staff.

## Water consumption

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

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

## Sustainable Energy Authority Victoria – ResourceSmart

As part of the Government’s Business and Environmental Strategy, we are committed to responsible energy management. This is practised within our premises and energy efficient equipment is purchased wherever it is cost-effective to do so.

Reliable figures relating to 2014–15 greenhouse gas emissions and energy consumption by the VCGLR were unavailable at the time of publication.

## Transportation

We maintain a fleet of 13 operational vehicles. During the financial year 2014–15, the proportion of hybrid vehicles in our operational fleet decreased to 15.4 per cent, compared with 46.2 per cent in 2013–14. This is in line with provision by the shared services car pool of smaller and mid-sized vehicles.

There was no change in the number of executive vehicles, which remains at two.

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

Table 40: Executive vehicles

Executive vehicles	2013–14	2014–15
Litres of petrol used	5,255	5,545
Litres per vehicle	2,627	2,772

## Overseas travel

There was no overseas travel for the VCGLR in the 2014–15 financial year.

## Statement of availability of other information

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

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

## Consultancies

There were 10 consultancies engaged in 2014–15. The total expenditure incurred during 2014–15 in relation to these consultancies was \$344,116 (excluding GST). Details of individual consultancies are outlined in Table 41.

Table 41: Consultancy expenditure

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2014–15 (excluding GST)
Deakin University	VCGLR liquor forum evaluation	June 2015	June 2015	\$49,912	\$39,930
Department of Justice & Regulation	Feasibility study on financial systems	August 2014	October 2014	\$70,000	\$69,884
IPP Consulting Pty Ltd	ICT strategy development	April 2015	May 2015	\$42,000	\$38,400
Lea Corbett Consulting	Policy advice and mentoring	March 2015	June 2015	\$6,000	\$6,000
Paterson & Paterson Consulting	Organisational design	February 2015	June 2015	\$15,000	\$14,355
The Performance Architects Pty	Change management	July 2014	September 2014	\$40,000	\$39,000
Workwell Consulting Pty Ltd	Strategic and business planning	April 2015	June 2015	\$56,000	\$42,000
Acil Allen Consulting Pty Ltd	Guidelines on VCGLR late night licence application	June 2015	June 2015	\$22,727	\$22,727
MetaPM Pty Ltd	ICT Business case and Investment Logic Map	February 2015	June 2015	\$40,000	\$39,500
<b>Total</b>					<b>\$311,796.05</b>

## Disclosure of major contracts

There were no contracts greater than \$10 million entered into by the VCGLR in 2014–15.

Summary details of contracts with a commitment greater than \$100,000 entered into during the 2014–15 period have been published on the Victorian Government contracts website – [contracts.vic.gov.au](http://contracts.vic.gov.au)

## Building works

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*.

## Compliance with DataVic Access Policy

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

Government data is progressively published in a machine readable format on [data.vic.gov.au](http://data.vic.gov.au), to minimise access costs and maximise use and reuse.

The VCGLR’s release of government data in accordance with the policy is proceeding at a steady rate, with 10 of our datasets and data tools now available on the Victorian Government Data Directory. The VCGLR committed to have 10 datasets published for the calendar year ending 31 December 2015; as at the end of June 2015, 10 datasets have been published.

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the financial statements, performance statements and tables included in this Annual Report will be available at [data.vic.gov.au](http://data.vic.gov.au) in machine readable format.

## Data suggestions and feedback

The public can go to the DataVic website and ‘suggest a dataset’ which they wish to be made available. During the 2014–15 year, we received no suggestions for new datasets, nor did we receive any feedback regarding our existing datasets.

## Known benefits of available datasets

The datasets available through our website continue to benefit a wide cross-section of the community. Benefits include providing data for research and informing decision-making of government, private companies and individuals.

## Requests for data

Since January 2014, we received:

- 10 requests from government agencies
- two requests from university researchers
- 18 requests from private companies or individuals.

Under the Victorian Government ICT Strategy 2014–15, government agencies are required to have at least 10 significant datasets available by September 2014. The VCGLR has 10 significant datasets currently available on our website.

Table 42: Current datasets available on the VCGLR website

Title	Data provided/ searchable by	Data updates	Form	Intended audience
<b>Liquor</b>				
Interactive map of Victorian liquor licences	Street address, suburb or town, licence number or category	Licensing data is updated on a monthly basis	Interactive map	Local councils, government agencies and researchers
Victorian liquor licences by category	Active liquor licences in both metropolitan and regional Victoria, by licence type and trading hours.	New document every month (previous months continue to be available)	PDF	General
Victorian liquor licences by location	Active liquor licences in both metropolitan and regional Victoria, arranged by local government area, suburb and postcode. From 1 June 2015, information is available for 'other' licences that don't have any geographic information recorded against their licence that locates their premises.	New document every month (previous months continue to be available)	Excel and CSV format	General

Table 42: Current datasets available on the VCGLR website (continued)

Gaming venue details	Provides details of all gaming venues within Victoria, including current financial year expenditure (split into six-month periods), venue location and classifications, licence and nominee details.	New details are uploaded at least at the end of each financial year	Web page listing expenditure summaries for all licensees  Detailed expenditure figures for each gaming venue, accessible via links from the summary page	General
Monthly EGM statistics for local government areas (LGA)	The total monthly expenditure (losses) on EGMs, in a particular LGA	New figures each month (previous figures available to the beginning of the 2012–13 financial year)	Website summary page lists each LGA's monthly expenditure for the current financial year  Each LGA's previous financial year's figures can be accessed through links from the summary page  When viewing the previous financial year's figures, users can follow links directly to the gaming venue details for particular venues	General

Table 42: Current datasets available on the VCGLR website (continued)

Title	Data provided/ searchable by	Data updates	Form	Intended audience
<b>Gambling</b>				
<b>Gaming expenditure by venue</b>				
Current gaming venue EGM expenditure	EGM expenditure (losses) for the particular venue from 2011–12 onwards, corresponding region (metropolitan/regional) and its venue type (hotel or club)	Updates are issued no less than at the end of each financial year	Spreadsheet for each gaming venue featuring the data mentioned in column three	General
Historical gaming venue EGM expenditure	EGM expenditure (losses) for particular venues to 2011–12, corresponding region (metropolitan/regional) and its venue type (hotel or club), its LGA name, and the number of EGM numbers	Updates are issued no less than at the end of each financial year	A single spreadsheet featuring data for all gaming venues. Columns use lists which enable greater data manipulation	General
<b>Gaming expenditure by LGA</b>				
Current EGM expenditure by LGA (monthly)	Total expenditure data from 2011–12 onwards by each LGA and also includes type of region (metropolitan/regional), number of EGMs and number of venues	New figures released monthly	A single spreadsheet featuring data for all LGAs  Columns use lists which enable greater data manipulation	General
Historical EGM expenditure by LGA (annual) [1992–2011]	Total expenditure data from 2011 onwards by each LGA from 1992 to 2011. The 2002–11 table includes type of region (metropolitan/regional) and the 1992–2000 table includes growth in expenditure between subsequent financial years	No applicable	A single spreadsheet featuring data for all LGAs  Columns for most tables use lists which enable greater data manipulation	General

Table 42: Current datasets available on the VCGLR website (continued)

Current LGA population density and gaming expenditure statistics (from 2011–12 financial year onwards)	Data for 2011–12 onwards (since the creation of the VCGLR), includes population and expenditure breakdowns by LGA and gaming venue, demographic statistics, labour statistics and Socio-Economic Indexes for Areas (SEIFA) LGA score and ranking per LGA	Annually	A single spreadsheet	General
Historical LGA population density and gaming expenditure statistics	Data for 2008–09 to 2010–11, includes population and expenditure breakdowns by LGA and gaming venue, demographic statistics, labour statistics and Socio-Economic Indexes for Areas (SEIFA) LGA score and ranking per LGA	Not applicable	A single spreadsheet	General

Note:  
EGM = electronic gaming machine






**Part 4**

Our financial results

For the financial year ended 30 June 2015



## Summary of financial results

1 July 2014 – 30 June 2015

## Background

The VCGLR receives grant funding for the provision of outputs from the Department of Justice & Regulation for the purposes of delivering outputs associated with the regulation of gambling and liquor. Depreciation funding is based on capital spend during the year, with the difference carried as a loss. This does not impact VCGLR's ability to operate as a going concern with capital funding provided for asset replacement when approved by government.

The VCGLR collects revenue on behalf of the government in relation to gaming, casino, racing taxation, Keno, public lotteries, licence fees for gaming and liquor activities and other gaming and related activities which are paid into the Consolidated Fund and disclosed in the Notes to the Financial Statements. The VCGLR also makes payments from the Consolidated Fund to other jurisdictions (payments made on behalf of the State) in relation to their share of public lottery taxes which are collected in Victoria.

## 2014–15 operating result

Key highlights for 2014–15 are as follows:

- the operating result for 2014–15 was an accounting profit of \$2.825 million as compared to a loss of \$0.361 million for 2013–14
- the operating result is consistent with the 2013–14 result with the exception of the injection of trust fund revenue dedicated to the LaGIS project
- the position of the VCGLR as at 30 June 2014 is a net equity of \$11.737 million. The overall net asset position of the VCGLR has increased by \$2.825 million from \$8.912 million in 2013–14, reflecting the injection of the trust fund revenue
- there were no abnormal or extraordinary items to report.

The VCGLR is not aware of any events that adversely affected the achievement of the operational objectives of the VCGLR for the year.

## 2014–15 capital expenditure

Depreciation expense, which funds VCGLR capital expenditure, was \$1.592 million for 2014–15 as compared to \$1.759 million for 2013–14.

Total capital expenditure for the 2014–15 year was \$0.656 million as compared to \$0.761 million for 2013–14.

## Comparative financial results

The following table summarises information on the financial results and financial position, prepared on an accrual basis, of the VCGLR for the financial year 2014–15 and comparison to the financial year 2013–14.

	2015 \$'000	2014 \$'000
Income from transactions		
Grants <sup>1</sup>	32,454,227	34,501,352
Other Income	3,041,115	
<b>Total income from transactions</b>	<b>35,495,342</b>	<b>34,501,352</b>
Expenses from transactions <sup>2</sup>	(32,618,918)	(34,849,296)
Other economic flows included in net result <sup>3</sup>	(51,289)	(13,224)
Net result from continuing operations	2,825,135	(361,168)
<b>Total assets<sup>4</sup></b>	<b>18,697,530</b>	<b>16,435,920</b>
<b>Total liabilities<sup>5</sup></b>	<b>6,960,315</b>	<b>7,523,840</b>
<b>Net increase / (decrease) in cash and cash equivalents<sup>6</sup></b>	<b>2,201,267</b>	<b>265,336</b>
<b>Capital expenditure<sup>7</sup></b>	<b>656,166</b>	<b>761,038</b>

Notes:

1. Income reflects the ceasing of specific purpose project funds and depreciation funding equivalent to capital expenditure.
2. Expenses reflect gambling and liquor activities following a reduction in overall staffing and a decrease in professional services.
3. Total other economic flows reflect losses arising from the revaluation of the long service leave liability due to movements in the bond rate.
4. Total assets increased by decreased by \$2.261 million. This reflects injection of trust funds partially offset by the amortisation of leasehold improvements.
5. Total liabilities decreased by \$0.563 million. This reflects a decrease in accrued expenses as at the end of the financial year.
6. The net increase in the cash position of \$2.201 million reflects the injection of cash to the LaGIS trust fund.
7. Capital expenditure decreased by \$0.105 million due to lower IT system development costs during system base-lining in preparation for the implementation of the Liquor and Gambling Information System (LaGIS).

### Transactions on behalf of Government – comparative financial results

The table below summarises information on the amounts collected/receivable and amounts paid/payable by the VCGLR in relation to gaming and liquor activities on behalf of Government, prepared on an accrual basis, for the financial year 2014–15 and its comparison to the financial year 2013–14.

	2015 \$'000	2014 \$'000
<b>Income from transactions</b>		
<b>Total amount collected/receivable</b>	<b>1,869,149</b>	<b>1,753,980</b>
<b>Total amount paid/payable including economic flows</b>	<b>2,202,301</b>	<b>1,804,071</b>

## Financial statements

For the financial year ended 30 June 2015

## Comprehensive operating statement

For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Income from transactions</b>			
Grants	1,3	32,454,227	34,501,352
Other income	3	3,041,115	–
<b>Total income from transactions</b>		<b>35,495,342</b>	<b>34,501,352</b>
<b>Expenses from transactions</b>			
Employee expenses	1,4 (a)	(21,184,352)	(21,325,148)
Depreciation and amortisation expense	1,4 (b)	(1,592,527)	(1,759,588)
Supplies and services	1,1(t),4(c)	(9,842,039)	(11,764,560)
<b>Total expenses from transactions</b>		<b>(32,618,918)</b>	<b>(34,849,296)</b>
<b>Net result from transactions (net operating balance)</b>		<b>2,876,425</b>	<b>(347,944)</b>
Other economic flows included in net result			
Other gains/(losses) from other economic flows	5	(51,289)	(13,224)
<b>Total other economic flows included in net result</b>		<b>(51,289)</b>	<b>(13,224)</b>
<b>Net result from continuing operations</b>		<b>2,825,135</b>	<b>(361,168)</b>
<b>Comprehensive result</b>		<b>2,825,135</b>	<b>(361,168)</b>

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

## Balance sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	15, 16	3,086,437	885,170
Receivables	6, 15	5,654,277	5,291,625
<b>Total financial assets</b>		<b>8,740,715</b>	<b>6,176,795</b>
<b>Non-financial assets</b>			
Leasehold improvements, plant, equipment and vehicles	7	4,816,259	5,424,978
Intangible assets	1(t), 8	4,863,934	4,309,495
Other non-financial assets	9	276,623	524,652
<b>Total non-financial assets</b>		<b>9,956,816</b>	<b>10,259,125</b>
<b>Total assets</b>		<b>18,697,530</b>	<b>16,435,920</b>
<b>Liabilities</b>			
Payables	10, 15	1,501,620	1,982,155
Provisions	11	5,458,695	5,541,685
<b>Total liabilities</b>		<b>6,960,315</b>	<b>7,523,840</b>
<b>Net assets</b>		<b>11,737,215</b>	<b>8,912,080</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	1(t)	3,841,654	1,016,519
Contributed capital		7,895,561	7,895,561
<b>Net worth</b>		<b>11,737,215</b>	<b>8,912,080</b>
Commitments for expenditure	13		
Contingent assets and contingent liabilities	14		

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

## Statement of changes in equity for the financial year ended June 30 2015

	Notes	Accumulated Surplus \$	Contributed capital \$	Total \$
<b>Balance at 1 July 2013</b>		<b>1,377,686</b>	<b>7,895,562</b>	<b>9,273,248</b>
Net result for the year	1(t)	(361,168)	–	(361,168)
<b>Balance at 30 June 2014</b>		<b>1,016,518</b>	<b>7,895,562</b>	<b>8,912,080</b>
Net result for the year		2,825,135	–	2,825,135
<b>Balance at 30 June 2015</b>		<b>3,841,653</b>	<b>7,895,562</b>	<b>11,737,215</b>

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

## Cash flow statement for the financial year ended June 30 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		35,177,224	35,681,785
Goods and services tax recovered from the ATO <sup>1</sup>		1,117,919	1,197,979
<b>Total receipts</b>		<b>36,295,143</b>	<b>36,879,764</b>
<b>Payments</b>			
Payments to suppliers and employees	1(t)	(32,555,629)	(35,241,249)
<b>Total payments</b>		<b>(32,555,629)</b>	<b>(35,241,249)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>16(b)</b>	<b>3,739,514</b>	<b>1,638,515</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets	1(t)	(1,538,247)	(1,373,179)
<b>Net cash flows from/(used in) investing activities</b>		<b>(1,538,247)</b>	<b>(1,373,179)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,201,267</b>	<b>265,336</b>
Cash and cash equivalents at the beginning of the year		885,170	619,834
<b>Cash and cash equivalents at the end of the year</b>	<b>16(a)</b>	<b>3,086,437</b>	<b>885,170</b>

Note:

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

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

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### Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the VCGLR for the year ended 30 June 2015. The purpose of this report is to provide users with information about the VCGLR’s stewardship of resources entrusted to it.

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

The comparative financial statements are for the period from 1 July 2013 to 30 June 2014.

#### (a) Statement of compliance

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

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

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

To gain a better understanding of the terminology used in this report, a glossary of terms can be found in Note 26.

The annual financial statements were authorised for issue by the Chair, Chief Executive Officer and Chief Financial Officer on 26 October 2015.

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

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

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

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

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

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

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

**Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

**Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

#### (c) Reporting entity

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

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

Its principal address is:

Victorian Commission for Gambling and Liquor Regulation  
49 Elizabeth Street  
Richmond VIC 3121

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

The VCGLR collects revenue amounts on behalf of the Government which are paid directly into the Consolidated Fund. The VCGLR does not gain control over these resources and accordingly they are not recognised as income in the comprehensive operating statement. The VCGLR is accountable for the transactions involving these resources, but does not have the discretion to deploy the resources for achievement of its own objectives. Transactions

and balances relating to these resources (except as otherwise disclosed), are accounted for on the same basis and using the same accounting policies as for VCGLR items. Specific financial disclosures related to these transactions can be found in Note 19.

#### Objectives and funding

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

These functions operate within the scope of gambling legislation (Gambling Regulation Act, Casino Control Act, *Racing Act 1958*, Casino (Management Agreement) Act and liquor legislation (Liquor Control Reform Act) and are, broadly, to:

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

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

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

##### Comprehensive operating statement

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

with the net result from discontinued operations, represents the net result.

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

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

Refer to Note 26 Glossary for the definitions of 'net result from transactions', 'other economic flows included in net result'.

##### Balance sheet

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

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

##### Cash flow statement

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

##### Statement of changes in equity

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

##### Rounding

Amounts in the financial statements have been rounded to the nearest dollar, or in the case of amounts collected/receivable on behalf of Government and amounts paid/payable to other jurisdictions (see Note 19), to the nearest thousand dollars. Figures in the financial statements may not

equate due to rounding. Please refer to the end of Note 26 for a style convention for explanations of minor discrepancies resulting from rounding.

##### Changes in accounting policies

There have been no changes in accounting policies subsequent to the 2013-14 reporting period.

##### (e) Income from transactions

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

##### Grants

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

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

##### (f) Expenses from transactions

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

##### Employee expenses

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



**Superannuation**

The amount recognised is in the comprehensive operating statement 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 their Annual Financial Statements disclose on behalf of the state as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to the DTF’s Annual Financial Statements for more detailed disclosures in relation to these plans.

**Depreciation**

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

The following are typical estimated useful lives for the different asset classes for the 2015 and 2014 financial years.

Asset Class	Useful life (in Years)	
	2015	2014
Building leasehold improvements-office fit out	7.6	7.6
Plant, equipment and vehicles		
Office furniture & equipment	8	8
Security equipment	5	5
Vehicles including finance leased vehicle	3	3
EDP hardware	4	4

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

**Amortisation**

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

Intangible assets with finite useful lives are amortised on a straight-line basis over the asset’s useful life. The useful life for intangibles is eight years (2014: eight years). Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The estimated useful lives, residual values and amortisation method are reviewed at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

**Supplies and services**

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

**Bad and doubtful debts**

Refer to Note 1(i) financial assets

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

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

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

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

**Disposal of non-financial assets**

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

**Impairment of non-financial assets**

All assets are assessed annually for indications of impairment.

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

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

Net gain/(loss) on financial instruments includes:

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

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

Other gains/(losses) from other economic flows include the gains or losses from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

**(h) Financial instruments**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the VCGLR’s

activities, certain financial assets and financial liabilities arise under statute rather than contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the VCGLR are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments.

**Loans and receivables**

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

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

**Financial liabilities at amortised cost**

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method (refer to Note 15).

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

#### Reclassification of financial instruments

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

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

#### (i) Financial assets

##### Cash and cash equivalents

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

##### Receivables

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

A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when

identified. Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

#### (j) Non-financial assets

##### Plant, equipment and vehicles

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

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

##### Leasehold improvements

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

##### Intangible assets

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

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

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

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

Expenditure incurred on internally generated intangibles that are capitalised include:

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

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

#### (k) Other non-financial assets

##### Prepayments

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

#### (l) Liabilities

##### Payables

Payables consist predominantly of creditors and accruals on wages and salaries and expenses and are recognised at amortised cost. Payables represent liabilities for goods and services provided to the VCGLR prior to the end of a period that are unpaid,

and arise when the VCGLR becomes obliged to make future payments in respect of the purchase of these goods and services.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(h)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

#### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

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

#### Employee benefits

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

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

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

Depending on the expectation of the timing of settlement, liabilities for wages and salaries,

annual leave and sick leave are measured at undiscounted value if VCGLR expects to wholly settle within 12 months; or present value if VCGLR does not expect to wholly settle within 12 months.

#### (ii) Long service leave

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the VCGLR does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at undiscounted value if the VCGLR expects to wholly settle within 12 months; and present value if the VCGLR does not expect to wholly settle within 12 months.

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

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

#### (iii) Termination benefits

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

due more than 12 months after the end of the reporting period are discounted to present value.

#### Employee benefits on-costs

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

#### (m) Leases

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

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

#### Operating leases

##### Commission as a lessee

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

The leased asset is not recognised in the balance sheet.

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

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

#### (n) Equity

##### Contributions by owners

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

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

##### (o) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 13 *Commitments for expenditure*) at their nominal value and inclusive of the GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

##### (p) Contingent assets and liabilities

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

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

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

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

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

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

#### (r) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the VCGLR and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

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

Certain new AASs have been published that are not mandatory for the 30 June 2015 reporting period. DTF assesses the impact of these new standards and advises entities of their applicability and early adoption where applicable. As at 30 June 2015, the following standards and interpretations had been issued but were not mandatory for the period ending 30 June 2015. The VCGLR has not early adopted these standards.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	<p>The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.</p>

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2014–15 financial year (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretations in the list below are also not effective for the 2014–15 reporting period and are considered to have insignificant impacts on public sector reporting.

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010).
- 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

**(t) Correction of prior period error**

The VCGLR 2013-14 annual financial statements incorrectly expensed payments for work in progress for development of an intangible software asset. The error has been corrected by restating each of the affected line items in the current set of financial statements for the 2014 comparative year.

The correction is as a result of retesting the expenditure on the development against the requirements of AASB138 with respect to intangible assets.

Affected transactions are isolated to the 2013-14 period only as progress payments to the vendor in respect of development the asset commenced in that period.

The affected line items from the face of the financial statement are shown below.

	Notes	2014 Published	Adjustment	2014 Restated
<b>Restated line items from the Comprehensive operating statement</b>				
<b>Expenses from transactions</b>				
Supplies and services	1,4 (c)	(12,376,701)	612,141	(11,764,560)
<b>Total expenses from transactions</b>		<b>(35,461,437)</b>	<b>612,141</b>	<b>(34,849,296)</b>
<b>Net result from transactions (net operating balance)</b>		<b>(960,085)</b>	<b>(612,141)</b>	<b>(347,944)</b>
<b>Net result from continuing operations</b>		<b>(973,309)</b>	<b>(612,141)</b>	<b>(361,168)</b>
<b>Comprehensive result</b>		<b>(973,309)</b>	<b>(612,141)</b>	<b>(361,168)</b>
<b>Restated line items from the Balance sheet</b>				
<b>Non-financial assets</b>				
Intangible assets	8	3,697,354	612,141	4,309,495
<b>Total non-financial assets</b>		<b>9,646,984</b>	<b>612,141</b>	<b>10,259,125</b>
<b>Total assets</b>		<b>15,823,779</b>	<b>612,141</b>	<b>16,435,920</b>
<b>Net assets</b>		<b>8,299,939</b>	<b>612,141</b>	<b>8,912,080</b>
<b>Equity</b>				
Accumulated surplus/(deficit)		404,378	612,141	1,016,519
Contributed capital		7,895,561	–	7,895,561
<b>Net worth</b>		<b>8,299,939</b>	<b>612,141</b>	<b>8,912,080</b>
<b>Restated line items from the Statement of changes in equity</b>				
<b>Accumulated surplus/(deficit)</b>				
<b>Balance at 1 July 2013</b>		<b>1,377,686</b>		<b>1,377,686</b>
Net result for the year		(973,309)	612,141	(361,168)
<b>Balance at 30 June 2014</b>		<b>404,377</b>	<b>612,141</b>	<b>1,016,518</b>
<b>Restated line items from the Statement of changes in the Cash flow statement</b>				
<b>Payments</b>				
Payments to suppliers and employees		(35,853,390)	612,141	(35,241,249)
<b>Total payments</b>		<b>(35,853,390)</b>	<b>612,141</b>	<b>(35,241,249)</b>
<b>Net cash flows from/(used in) operating activities</b>	16(b)	<b>1,026,374</b>	<b>612,141</b>	<b>1,638,515</b>
<b>Cash flows from investing activities</b>				
Purchases of non-financial assets		(761,038)	(612,141)	(1,373,179)
<b>Net cash flows from/(used in) investing activities</b>		<b>(761,038)</b>	<b>(612,141)</b>	<b>(1,373,179)</b>

### Note 2: VCGLR outputs

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

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

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

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

### Note 3: Income from transactions

	2015 \$	2014 \$
<b>Continuing operations</b>		
<b>Income from transactions</b>		
Grants from government	32,454,227	34,501,352
Other income - LaGIS Trust	3,041,115	–
<b>Total income from transactions</b>	<b>35,495,342</b>	<b>34,501,352</b>

### Note 4: Expenses from transactions

	2015 \$	2014 \$
<b>(a) Employee expenses</b>		
Salaries and wages	16,211,184	16,281,061
Annual leave	1,413,676	1,441,819
Long service leave	761,715	147,226
Superannuation	1,480,126	1,431,004
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	1,102,758	1,248,722
Termination benefits	214,893	775,316
<b>Total employee expenses</b>	<b>21,184,352</b>	<b>21,325,148</b>
<b>(b) Depreciation and amortisation</b>		
Depreciation of leasehold improvements, plant, equipment and vehicles		
EDP hardware	118,096	139,913
Plant, equipment & motor vehicles	27,856	24,037
Amortisation expense		
Leasehold improvements-office fit-out	817,287	1,025,750
Internal-use software	629,288	569,888
<b>Total depreciation and amortisation</b>	<b>1,592,527</b>	<b>1,759,588</b>
<b>(c) Supplies and services</b>		
Probity and credit check payments	78,198	128,569
IT Licence and maintenance	1,977,640	1,342,604
Professional services	3,664,005	5,351,350
Telephone and other communication expenses	238,543	575,030
Occupancy costs	2,183,111	2,260,884
Postage and advertising	205,547	200,917
Printing, stationery and office requisites	330,615	905,832
Travel and related expenses	22,119	96,204
Training and development	150,297	226,133
Motor vehicle running costs	571,020	388,321
Other	420,942	288,716
<b>Total supplies and services</b>	<b>9,842,039</b>	<b>11,764,560</b>

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

	2015 \$	2014 \$
<b>Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of annual leave and long service leave liability <sup>1</sup>	(51,289)	(13,224)
<b>Total other gains/(losses) from other economic flows</b>	<b>(51,289)</b>	<b>(13,224)</b>

Note:

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

## Note 6: Receivables

	2015 \$	2014 \$
<b>Current receivables</b>		
<b>Contractual</b>		
Receivables	19,475	92,933
	<b>19,475</b>	<b>92,933</b>
<b>Statutory</b>		
Amounts owing from the Department of Justice & Regulation <sup>1</sup>	5,014,571	4,682,017
GST Input tax credits recoverable	127,075	131,200
	<b>5,141,645</b>	<b>4,813,217</b>
<b>Total current receivables</b>	<b>5,161,120</b>	<b>4,906,150</b>
<b>Non-current receivables</b>		
<b>Statutory</b>		
Amounts owing from the Department of Justice & Regulation <sup>1</sup>	493,157	385,475
<b>Total non-current receivables</b>	<b>493,157</b>	<b>385,475</b>
<b>Total receivables</b>	<b>5,654,277</b>	<b>5,291,625</b>

Notes:

1. The amounts recognised from the Department of Justice & Regulation represent funding for all commitments incurred through the grant and are drawn down from the Consolidated Fund as the commitments fall due.
  - (a) Ageing analysis of contractual receivables.  
Please refer to table 15.3 in Note 15 for the ageing analysis of contractual receivables.
  - (b) Nature and extent of risk arising from contractual receivables.  
Please refer to table 15.5 in Note 15 for the nature and extent of risks arising from contractual receivables.

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

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

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

	Public safety and environment	
	2015 \$	2014 \$
Leasehold improvements, plant, equipment and vehicles		
Building leasehold improvements-office fit out		
At Fair value	6,218,675	6,179,965
Less: Accumulated amortisation	(1,971,785)	(1,154,499)
	<b>4,246,890</b>	<b>5,025,466</b>
EDP Hardware		
At Fair value	1,334,969	1,041,885
Less: Accumulated depreciation	(1,010,970)	(892,874)
	<b>323,999</b>	<b>149,011</b>
Plant, equipment and vehicles		
At Fair value	333,601	310,875
Less: Accumulated depreciation	(88,231)	(60,374)
	<b>245,370</b>	<b>250,501</b>
<b>Total Leasehold improvements, equipment and vehicles</b>		
At Fair value	7,887,246	7,532,725
Less: Accumulated depreciation	(3,070,986)	(2,107,747)
	<b>4,816,259</b>	<b>5,424,978</b>

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

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

	Leasehold Improvements		EDP Hardware		Plant, equipment and vehicles		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	5,025,466	6,051,216	149,011	283,589	250,501	213,983	5,424,978	6,548,788
Equity transfer from the Department of Justice & Regulation	–	–	–	–	–	–	–	–
Additions	38,711	–	293,084	5,335	22,726	60,555	354,521	65,890
Disposals	–	–	–	–	–	–	–	–
Impairment of assets	–	–	–	–	–	–	–	–
Depreciation and amortisation expense	(817,287)	(1,025,750)	(118,096)	(139,913)	(27,857)	(24,037)	(963,240)	(1,189,700)
<b>Closing balance</b>	<b>4,246,890</b>	<b>5,025,466</b>	<b>323,999</b>	<b>149,011</b>	<b>245,370</b>	<b>250,501</b>	<b>4,816,259</b>	<b>5,424,978</b>

Table 7.3: Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using		
		Level 1 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>
Building leasehold improvements–office fit out	4,246,890	–	–	4,246,890
<b>Total building leasehold improvements–office fit out at fair value</b>	<b>4,246,890</b>	<b>–</b>	<b>–</b>	<b>4,246,890</b>
EDP Hardware	323,999	–	–	323,999
<b>Total EDP Hardware at fair value</b>	<b>323,999</b>	<b>–</b>	<b>–</b>	<b>323,999</b>
Plant, equipment and vehicles	245,370	–	–	245,370
<b>Total plant, equipment and vehicles at fair value</b>	<b>245,370</b>	<b>–</b>	<b>–</b>	<b>245,370</b>

	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using		
		Level 1 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>
Building leasehold improvements–office fit out	5,025,466	–	–	5,025,466
<b>Total building leasehold improvements–office fit out at fair value</b>	<b>5,025,466</b>	<b>–</b>	<b>–</b>	<b>5,025,466</b>
EDP Hardware	149,011	–	–	149,011
<b>Total EDP Hardware at fair value</b>	<b>149,011</b>	<b>–</b>	<b>–</b>	<b>149,011</b>
Plant, equipment and vehicles	250,501	–	–	250,501
<b>Total plant, equipment and vehicles at fair value</b>	<b>250,501</b>	<b>–</b>	<b>–</b>	<b>250,501</b>

Note:

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2015.

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

**Table 7.4: Reconciliation of Level 3 fair value**

2015	Building Leasehold Improvements-office fit out	EDP Hardware	Plant, equipment and vehicles
Opening balance	5,025,466	149,011	250,501
Additions	38,711	293,084	22,726
Depreciation and amortisation expense	(817,287)	(118,096)	(27,857)
<b>Closing balance</b>	<b>4,246,890</b>	<b>323,999</b>	<b>245,370</b>

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

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs.
Building Leasehold Improvements-office fit out	Depreciated replacement cost	Direct cost per square metre  (Office fit-out was transferred from DOJ in February 2013)	(\$2,111 per sq m)	A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value.
		Useful life of Building Leasehold Improvements-office fit out	7.6 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
EDP Hardware	Depreciated replacement cost	Cost per unit	\$6,300 – \$12,790 per unit (\$10,460 per unit)	A significant increase or decrease in direct cost per unit adjustment would result in a significantly higher or lower fair value.
Plant, equipment & vehicles		Useful life of EDP Hardware	4 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
	Depreciated replacement cost	Cost per unit • office furniture and equipment • security equipment • vehicles	\$13,180 – \$93,840 per unit  (\$8,230 per unit)  (\$16,550 per unit) (\$35,004 per unit)	A significant increase or decrease in direct cost per unit adjustment would result in a significantly higher or lower fair value.
		Useful life • office furniture and equipment • security equipment • vehicles	8 years  5 years  3 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.



## Note 8: Intangible assets

	2015 \$	2014 \$
<b>Gross carrying amount</b>		
<b>Opening balance</b>	<b>9,896,968</b>	<b>8,589,679</b>
Work-in-progress	875,520	690,781
Additions from internal development	308,207	616,508
<b>Closing balance</b>	<b>11,080,695</b>	<b>9,896,968</b>
<b>Accumulated amortisation</b>		
<b>Opening balance</b>	<b>(5,587,473)</b>	<b>(5,017,584)</b>
Amortisation expense <sup>1</sup>	(629,288)	(569,889)
<b>Closing balance</b>	<b>(6,216,761)</b>	<b>(5,587,473)</b>
<b>Net book value at end of financial year</b>	<b>4,863,934</b>	<b>4,309,495</b>

Note:

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

### Significant intangible assets

Intangible assets comprise capitalised software development expenditure including the development of the significant intangible asset which is the Gaming and Monitoring System (GAMMON). The carrying amount of the significant intangible asset expenditure is \$2.24 million (2014: \$2.64 million). Its useful life is eight years and will be fully amortised in 2021.

The LaGIS project is currently included in work in progress. LaGIS is a software project being developed by a vendor on behalf of VCGLR. LaGIS is expected to come into service during 2015-16, until that time it will remain in work in progress with further expenditures on the development brought to account, and capitalised, progressively. Once in service LaGIS will be amortised over the life of the contract with ongoing maintenance payments under the contract expensed as incurred. The current carrying value is \$0.875m (2014: \$0.612m).

## Note 9: Other non-financial assets

	2015 \$	2014 \$
<b>Current other assets</b>		
Prepayments	276,623	524,652
<b>Total current other assets</b>	<b>276,623</b>	<b>524,652</b>
<b>Total other non-financial assets</b>	<b>276,623</b>	<b>524,652</b>

## Note 10: Payables

	2015 \$	2014 \$
<b>Current payables</b>		
<b>Contractual</b>		
Creditors	375,673	66,599
Accrued wages and salaries	170,464	154,890
Accrued expenses	955,483	1,760,666
<b>Total current payables</b>	<b>1,501,620</b>	<b>1,982,155</b>
<b>Total payables</b>	<b>1,501,620</b>	<b>1,982,155</b>

Notes:

- Maturity analysis of payables.  
Please refer to Table 15.4 in Note 15.
- Nature and extent of risk arising from payables.  
Please refer to Note 15.

### Note 11: Provisions

	2015 \$	2014 \$
<b>Current provisions</b>		
Employee benefits (Note 11(a)) – annual leave <sup>1</sup>		
Unconditional and expected to settle within 12 months <sup>2</sup>	1,302,107	462,459
Unconditional and expected to settle after 12 months <sup>2</sup>	188,949	1,055,509
Employee benefits (Note 11(a)) – long service leave <sup>1</sup>		
Unconditional and expected to settle within 12 months <sup>2</sup>	400,892	433,785
Unconditional and expected to settle after 12 months <sup>2</sup>	2,376,854	2,474,428
	<b>4,268,801</b>	<b>4,426,181</b>
Provisions relating to employee benefit on-costs (Note 11(a) and Note 11(b))		
Unconditional and expected to be settle within 12 months <sup>2</sup>	265,373	146,979
Unconditional and expected to be settle after 12 months <sup>2</sup>	431,364	583,053
	<b>696,737</b>	<b>730,032</b>
<b>Total current provisions</b>	<b>4,965,538</b>	<b>5,156,213</b>
<b>Non-current provisions</b>		
Employee benefits (Note 11(a)) – annual leave and long service leave <sup>1</sup>	423,947	332,574
Employee benefit on-costs (Note 11(a) and Note 11(b))	69,210	52,898
<b>Total non-current provisions</b>	<b>493,157</b>	<b>385,472</b>
<b>Total provisions</b>	<b>5,458,695</b>	<b>5,541,685</b>

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

	2015 \$	2014 \$
<b>Current employee benefits</b>		
Annual leave entitlements	1,491,055	1,517,968
Long service leave entitlements	2,777,746	2,908,213
<b>Non-current employee benefits</b>		
Long service leave entitlements	423,947	332,574
<b>Total employee benefits</b>	<b>4,692,748</b>	<b>4,758,755</b>
Current on-costs	696,737	730,032
Non-current on-costs	69,210	52,898
<b>Total on-costs</b>	<b>765,947</b>	<b>782,930</b>
<b>Total employee benefits and related on-costs</b>	<b>5,458,695</b>	<b>5,541,685</b>

Note:

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

### (b) Movement in provisions

	On-costs	
	2015 \$	2014 \$
<b>Opening balance</b>	<b>782,930</b>	<b>963,705</b>
Additional provisions recognised	295,511	210,477
Reductions arising from payments/other sacrifices of future economic benefits	(312,494)	(391,252)
<b>Closing balance</b>	<b>765,947</b>	<b>782,930</b>
Current	696,737	730,032
Non-current	69,210	52,898
<b>Total employee benefits related on-costs</b>	<b>765,947</b>	<b>782,930</b>

## Note 12: Superannuation

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

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

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

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

	Paid contribution for year end		Contribution outstanding at year end	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>Defined benefit plans<sup>1</sup>:</b>				
Emergency Services and State Super: revised and new	81,039	250,263	–	–
<b>Defined contribution plans:</b>				
VicSuper	1,035,456	900,468	–	–
Various other	363,631	280,273	–	–
<b>Total</b>	<b>1,480,126</b>	<b>1,431,004</b>	<b>–</b>	<b>–</b>

Note:

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

## Note 13: Commitments for expenditure

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

	Operating leases		Capital		Operating commitments		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
<b>Operating, capital and lease commitments</b>								
Payable <sup>1</sup>								
Less than one year	2,258,577	1,312,290	1,246,400	–	–	–	3,504,977	1,312,290
Longer than one year and not longer than five years	9,794,152	5,234,406	–	3,219,491	1,259,544	2,122,987	11,053,696	10,576,884
Five years or more	436,881	2,024,090	–	–	–	766,891	436,881	2,790,981
<b>Total operating expenditure commitments</b>	<b>12,489,610</b>	<b>8,570,786</b>	<b>1,246,400</b>	<b>3,219,491</b>	<b>1,259,544</b>	<b>2,889,878</b>	<b>14,995,554</b>	<b>14,680,155</b>

Notes:

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

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

## Note 14: Contingent assets and contingent liabilities

At 30 June 2015 the VCGLR had no contingent assets and contingent liabilities. (2014: nil)

## Note 15: Financial instruments

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

The VCGLR's principal financial instruments comprise:

- cash and deposits
- receivables (excluding statutory receivables)
- payables (excluding statutory payables).

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, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

The carrying amounts of the VCGLR's contractual financial assets and financial liabilities by category are in Table 15.1 below.

**Table 15.1: Categorisation of financial instruments**

	Contractual financial assets—loans and receivables	Contractual financial liabilities at amortised cost	Total
	\$	\$	\$
<b>2015</b>			
<b>Contractual financial assets</b>			
Cash and deposits	927,403	–	927,403
Funds held in Trust (controlled) <sup>1</sup>	2,159,034	–	2,159,034
Receivables <sup>2</sup>	19,475	–	19,475
<b>Total contractual financial assets</b>	<b>3,105,912</b>	<b>–</b>	<b>3,105,912</b>
<b>Contractual financial liabilities</b>			
Payables <sup>2</sup>	–	1,501,620	1,501,620
<b>Total contractual financial liabilities</b>	<b>–</b>	<b>1,501,620</b>	<b>1,501,620</b>
<b>2014</b>			
<b>Contractual financial assets</b>			
Cash and deposits	885,170	–	885,170
Receivables <sup>2</sup>	92,933	–	92,933
<b>Total contractual financial assets</b>	<b>978,103</b>	<b>–</b>	<b>978,103</b>
<b>Contractual financial liabilities</b>			
Payables <sup>2</sup>	–	1,982,155	1,982,155
<b>Total contractual financial liabilities</b>	<b>–</b>	<b>1,982,155</b>	<b>1,982,155</b>

Notes:

1. Cash and deposits includes an amount of \$2.159m provided by the Department of Justice and Regulation, and held in trust, specifically to meet the development costs of the LaGIS project. The VCGLR has no discretion to apply this balance to any alternate purpose.
2. The total amount disclosed here excludes statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

### (b) Credit risk

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

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

The carrying amount of financial assets recorded in the financial report represents the VCGLR's maximum exposure to credit risk as indicated in Table 15.2.

**Table 15.2: 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>2015</b>				
<b>Contractual financial assets</b>				
Cash and deposits	927,403	–	–	927,403
Funds held in Trust (controlled)	–	2,159,034	–	2,159,034
Receivables <sup>1</sup>	–	–	19,475	19,475
<b>Total contractual financial assets</b>	<b>927,403</b>	<b>2,159,034</b>	<b>19,475</b>	<b>3,105,912</b>
<b>2014</b>				
<b>Contractual financial assets</b>				
Cash and deposits	885,170	–	–	885,170
Receivables <sup>1</sup>	–	–	92,933	92,933
<b>Total contractual financial assets</b>	<b>885,170</b>	<b>–</b>	<b>92,933</b>	<b>978,103</b>

Note:

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

Currently the VCGLR does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

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

**Table 15.3: Ageing analysis of contractual financial assets**

			Past due but not impaired			
	Carrying amount	Not past due and not impaired	Less than 1 month	1–3 months	3 months – 1 year	1–5 years
	\$	\$	\$	\$	\$	\$
<b>2015</b>						
Receivables <sup>1</sup>	19,475	9,652	8,954	32	628	209
	<b>19,475</b>	<b>9,652</b>	<b>8,954</b>	<b>32</b>	<b>628</b>	<b>209</b>
<b>2014</b>						
Receivables <sup>1</sup>	92,933	19,476	37,347	35,348	762	–
	<b>92,933</b>	<b>19,476</b>	<b>37,347</b>	<b>35,348</b>	<b>762</b>	<b>–</b>

Note:

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

**(c) Liquidity risk**

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

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

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

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

**Table 15.4: Maturity analysis of contractual financial liabilities**

			Maturity dates			
	Carrying amount	Nominal amount	Less than 1 month	1–3 months	3 months – 1 year	1–5 years
	\$	\$	\$	\$	\$	\$
<b>2015</b>						
Payables <sup>1</sup>	1,501,620	1,501,620	1,501,620	–	–	–
	<b>1,501,620</b>	<b>1,501,620</b>	<b>1,501,620</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>2014</b>						
Payables <sup>1</sup>	1,982,155	1,982,155	1,982,155	–	–	–
	<b>1,982,155</b>	<b>1,982,155</b>	<b>1,982,155</b>	<b>–</b>	<b>–</b>	<b>–</b>

Note:

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

**(d) Market risk**

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

**Table 15.5: Interest rate exposure of financial instruments**

			Interest rate risk exposure		
	Weighted average effective interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
	%	\$	\$	\$	\$
<b>2015</b>					
<b>Financial assets</b>					
Cash and deposits	2.0	927,403	–	927,403	–
Funds held in trust	N/A	2,159,034	–	–	2,159,034
Receivables <sup>1</sup>	N/A	19,475	–	–	19,475
<b>Total financial assets</b>		<b>3,105,912</b>	<b>–</b>	<b>927,403</b>	<b>2,178,509</b>
<b>Financial liabilities</b>					
Payables <sup>1</sup>	N/A	1,501,620	–	–	1,501,620
<b>Total financial liabilities</b>		<b>1,501,620</b>	<b>–</b>	<b>–</b>	<b>1,501,620</b>
<b>2014</b>					
<b>Financial assets</b>					
Cash and deposits	2.5	885,170	–	885,170	–
Receivables <sup>1</sup>	N/A	92,933	–	–	92,933
<b>Total financial assets</b>		<b>978,103</b>	<b>–</b>	<b>885,170</b>	<b>92,933</b>
<b>Financial liabilities</b>					
Payables <sup>1</sup>	N/A	1,982,155	–	–	1,982,155
<b>Total financial liabilities</b>		<b>1,982,155</b>	<b>–</b>	<b>–</b>	<b>1,982,155</b>

Note:

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

**(e) Fair value**

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

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

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

**Table 15.6: Comparison between carrying amount and fair value**

	Carrying Amount	Fair value	Carrying Amount	Fair value
	2015	2015	2014	2014
<b>Contractual financial assets</b>				
Cash and cash equivalents	3,086,437	3,086,437	885,170	885,170
Receivables <sup>1</sup>	19,475	19,475	92,933	92,933
<b>Total contractual financial assets</b>	<b>3,105,912</b>	<b>3,105,912</b>	<b>978,103</b>	<b>978,103</b>
<b>Contractual financial liabilities</b>				
Payables <sup>1</sup>	1,501,620	1,501,620	1,982,155	1,982,155
<b>Total contractual financial liabilities</b>	<b>1,501,620</b>	<b>1,501,620</b>	<b>1,982,155</b>	<b>1,982,155</b>

Note:

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

**Note 16: Cash flow information****(a) Reconciliation of cash and cash equivalents**

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

	2015 \$	2014 \$
Total cash and deposits disclosed in the balance sheet <sup>1</sup>	3,086,437	885,170
<b>Balance as per Cash Flow Statement</b>	<b>3,086,437</b>	<b>885,170</b>

Note:

- 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.

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

	2015 \$	2014 \$
<b>Net result for the period</b>	<b>2,825,135</b>	<b>(361,168)</b>
<b>Non cash movements:</b>		
Depreciation and amortisation of non-current assets	1,592,527	1,759,588
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	(362,652)	1,152,416
(Increase)/decrease in other non-financial assets	248,029	(78,861)
Increase/(decrease) in payables	(480,535)	477,782
Increase/(decrease) in provisions	(82,990)	(1,311,242)
<b>Net cash flows from/(used in) operating activities</b>	<b>3,739,514</b>	<b>1,638,515</b>

### Note 17: Summary of compliance with grant funding

	Grant funding advice	Funding available	Funding applied
	\$	\$	\$
<b>2015</b>			
Grant revenue – provision for outputs	32,454,227	32,454,227	32,454,227
Capital contribution – addition to net assets	–	–	–
<b>Total funding</b>	<b>32,454,227</b>	<b>32,454,227</b>	<b>32,454,227</b>
<b>2014</b>			
Grant revenue – provision for outputs	34,501,352	34,501,352	34,501,352
Capital contribution – addition to net assets	–	–	–
<b>Total funding</b>	<b>34,501,352</b>	<b>34,501,352</b>	<b>34,501,352</b>

### Note 18: Ex-gratia payments

As at 30 June 2015 the VCGLR had not made any ex-gratia payments (2014: nil).

### Note 19: Transactions on behalf of Government

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

The Gambling Regulation Act provide for determination by the Treasurer, after consultation with the Minister for Liquor and Gaming Regulation, of the supervision charges payable by Tabcorp, Tattersall's, Intralot and the venue operators. This charge is determined annually and reflects the recoupment of expenses incurred in the regulation of gambling by these operators, including the processing of licences, conducting investigations and compliance audits, reviewing operator systems and procedures, testing and evaluating gambling equipment and monitoring gambling activities. This charge is also paid into the Consolidated Fund.

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.

On 31 October 2007, an amount of \$13.3 million for the Category 1 Public Lottery Licence was received. This is to be recognised over 10 years of which \$4.0 million is recognised as unearned income as at 30 June 2015. On 25 September 2008, \$980,000 for Category 1 Public Lottery amendment which included Monday and Wednesday lotto was received and is to be recognised over 10 years of which \$294,000 is recognised as unearned income as at 30 June 2015. 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 \$41.0 million is recognised as unearned income as at 30 June 2015. 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 \$310.3 million is recognised as unearned income as at 30 June 2015. These unearned amounts are accounted for on a straight line basis over the life of the contracts.

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 \$671.6 million as at 30 June 2015.

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

- guaranteed payments of at least \$35 million per annum over 6 years till 30 June 2021 in respect of tax on Gross Gaming Revenue and Commission Based Players' Gaming Revenue from new gaming products;
- the following additional amount(s) on 1 September 2022:
  - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.0%, then the Company will pay to the State an amount of \$100,000,000, and
  - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.7%, then the Company will pay to the State, in addition to the amount above, a further amount of \$100,000,000, and
  - \$250 million on 1 July 2033.

The unearned income recognised is \$485.1 million as at 30 June 2015.

As at 30 June 2015, a total of \$1,512 million is recognised as unearned income by the VCGLR (2014: \$1,163 million).

Transactions on behalf of Government	2015 \$'000	2014 \$'000
<b>Income – Amounts collected/receivable on behalf of Government</b>		
Appropriations-Payments made on behalf of the State	28,871	28,644
Gaming Taxation	964,242	872,278
Licence Fees	725	635
Minor Gaming	938	968
Keno	10,053	9,636
Casino Taxation and Licence Fees	216,771	208,812
Racing Taxation and Licence Fees	11,437	9,254
Tattersall's Lotteries	417,614	403,317
Intralot Lotteries	8,783	16,080
Tabcorp Supervision Fee	1,287	1,115
Tattersall's Supervision Fee	695	418
Intralot Supervision Fee	400	506
Venue Operators Supervision Fee	5,998	5,269
Lottery Premium Payment	3,383	3,307
Liquor Licence and Application Fees	2,122	2,238
Gambling Venue Licence Fees	93,957	94,089
Wagering and Betting Taxation and Licence Fees	81,631	82,517
Miscellaneous	20,241	14,897
<b>Total amount collected/receivable</b>	<b>1,869,149</b>	<b>1,753,980</b>
<b>Expenses – Amounts paid/payable on behalf of Government</b>		
Payments made to other jurisdictions	28,871	28,644
Payments to consolidated fund	2,170,406	1,770,561
Bad and doubtful debts	23	639
<b>Total amount paid/payable</b>	<b>2,199,300</b>	<b>1,799,844</b>
<b>Other economic flows</b>		
Net gain/(loss) on non-financial assets	3,000	4,227
<b>Total other economic flows</b>	<b>3,000</b>	<b>4,227</b>
<b>Total amount paid/payable including economic flows</b>	<b>2,202,301</b>	<b>1,804,071</b>
<b>Net Result from transactions (net operating balance)</b>	<b>(333,152)</b>	<b>(50,091)</b>

<b>Assets</b>		
<b>Current Asset</b>		
Receivables	307,237	358,797
<b>Total current asset</b>	<b>307,237</b>	<b>358,797</b>
<b>Non-Current Asset</b>		
Receivables	355,594	285,314
<b>Total non-current asset</b>	<b>355,594</b>	<b>285,314</b>
<b>Total assets</b>	<b>662,831</b>	<b>644,111</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Unearned income	149,556	135,692
Payables	2,314	2,057
<b>Total current liabilities</b>	<b>151,870</b>	<b>137,749</b>
<b>Non-current liabilities</b>		
Unearned income	1,362,814	1,027,121
<b>Total non-current liabilities</b>	<b>1,362,814</b>	<b>1,027,121</b>
<b>Total liabilities</b>	<b>1,514,685</b>	<b>1,164,870</b>
<b>Net Assets</b>	<b>(851,854)</b>	<b>(520,759)</b>
<b>Equity</b>	<b>(851,854)</b>	<b>(520,759)</b>



## Note 20: Responsible persons

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

### Name

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

Responsible Minister – Minister for Liquor and Gaming Regulation	
The Hon. Edward O’Donohue, MLC	1 July 2014 to 3 December 2014
Responsible Minister – Minister for Consumer Affairs, Gaming & Liquor Regulation	
The Hon. Jane Garrett, MP	4 December 2014 to 30 June 2015
Responsible Minister – Acting Minister for Consumer Affairs, Gaming & Liquor Regulation	
The Hon. Wade Noonan, MP	3 April 2015 to 13 April 2015
The Hon. Wade Noonan, MP	26 June 2015 to 30 June 2015
Commission Members:	
Mr Bruce Thompson (Chair)	1 July 2014 to 1 April 2015
Mr Ross Kennedy, PSM (Acting Chair)	2 April 2015 to 4 May 2015
Dr Bruce Cohen (Chair)	5 May 2015 to 30 June 2015
Mr Ross Kennedy, PSM (Deputy Chair)	1 July 2014 to 1 April 2015
Mr Ross Kennedy, PSM (Deputy Chair)	5 May 2015 to 30 June 2015
Ms Gail Owen, OAM (Deputy Chair)	1 July 2014 to 30 June 2015
Mr Des Powell, AM (Commissioner)	1 July 2014 to 30 June 2015
Ms Kate Hamond (Commissioner)	1 July 2014 to 30 June 2015
Mr Robert Kerr (Commissioner)	1 July 2014 to 30 June 2015
Accountable Officer – Chief Executive Officer	
Ms Karen Lees (Acting Chief Executive Officer)	1 July 2014 to 16 July 2014
Ms Catherine Myers (Acting Chief Executive Officer)	17 July 2014 to 28 December 2014
Mr Alan Stone (Acting Chief Executive Officer)	29 December 2014 to 9 January 2015
Ms Catherine Myers (Acting Chief Executive Officer)	10 January 2015 to 30 March 2015
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	31 March 2015 to 7 April 2015
Ms Catherine Myers (Acting Chief Executive Officer)	8 April 2015 to 30 June 2015

### Remuneration

Remuneration received or receivable by members of the Commission and the Accountable Officer covers the period from 1 July 2014 to 30 June 2015.

### Commissioners and Accountable Officer

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

Income Band	2015 No.	2014 No.
\$110,000 - \$119,999	3	3
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	2	1
\$160,000 - \$169,999	–	1
\$220,000 - \$229,999	–	1
\$260,000 - \$269,999	1	–
<b>Total numbers</b>	<b>7</b>	<b>7</b>
<b>Total Amount</b>	<b>\$1,033,725</b>	<b>\$989,999</b>

### Minister

Amounts relating to the Minister for Consumer Affairs, Gaming and Liquor Regulation are reported in the financial statements of the Department of Premier and Cabinet.

### Note 21: Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities)

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

Income Band	Total remuneration		Base remuneration	
	2015 No.	2014 No.	2015 No	2014 No.
\$80,000 – \$89,999	–	–	–	1
\$120,000 – \$129,999	–	–	–	1
\$130,000 – \$139,999	–	1	–	–
\$140,000 – \$149,999	1	–	1	–
\$150,000 – \$159,999	–	–	–	1
\$160,000 – \$169,999	–	1	2	–
\$170,000 – \$179,999	3	–	2	–
\$180,000 – \$189,999	–	1	–	2
\$190,000 – \$199,999	–	2	–	1
\$200,000 – \$209,999	–	1	–	–
\$260,000 – \$269,999	1	–	–	–
<b>Total number of executives</b>	<b>5</b>	<b>6</b>	<b>5</b>	<b>6</b>
<b>Total annualised employee equivalents (AEE)<sup>1</sup></b>	<b>4.79</b>	<b>5.15</b>	<b>4.79</b>	<b>4.73</b>
<b>Total amount</b>	<b>\$931,704</b>	<b>\$1,069,067</b>	<b>\$831,020</b>	<b>\$939,020</b>

Notes:

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

Comparative year information has been restated to be consistent with FRD guidance material.

There were no payments made to contractors in executive roles.

### Note 22: Trust account balances

	Opening Balance 1 July 2014	Total Receipts	Total Payments	Closing Balance 30 June 2015
	\$	\$	\$	\$
<b>Controlled trusts</b>				
LaGIS trust account	–	3,041,115	882,081	2,159,034

During 2014–15 the Department of Justice and Regulation provided \$3.041m specifically to meet the development costs of the LaGIS project. The VCGLR has no discretion to apply this balance to any alternate purpose.

### Note 23: Remuneration of auditors

	2015 \$	2014 \$
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	108,250	105,480

### Note 24: Related party transactions

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

### Note 25: Subsequent events

On 4 August 2015 a variation deed was signed in relation to the contract between VCGLR and Itree for the provision of the LaGIS system. Negotiations for the variation began prior to 30 June and completed with the final signing. The impact on the forward commitments of the VCGLR have been incorporated into these financial statements.

## Note 26: Glossary of terms and style conventions

### Amortisation

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

### Comprehensive result

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

### Commitments

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

### Depreciation

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

### Employee expenses

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

### Ex gratia expenses

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

### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) a contractual right:
  - to receive cash or another financial asset from another entity; or

- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

### Financial instrument

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

### Financial liability

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

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

### Financial statements

A complete set of financial statements comprises:

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

### Grants and other transfers

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

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

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 asset in this glossary.

### Interest expense

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

### Interest income

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

### Net result

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

### Net result from transactions/net operating balance

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

### Net worth

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

### Non-financial assets

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

### Non-produced assets

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

### Other economic flows included in net result

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

agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

#### Payables

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

#### Produced assets

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

#### Receivables

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

#### Sales of goods and services

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

#### Supplies and services

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

#### Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the

service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

#### Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the 2014–15 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VCGLR's annual reports.

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2015.

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

We authorise the attached financial statements for issue on 26 October 2015.



**Bruce Cohen**  
Chair



**Catherine Myers**  
Chief Executive Officer



**Michael Everett**  
Chief Finance Officer

Dated: 26 October 2015, Melbourne

# Auditor-General's report

## VCGLR financial year ended 30 June 2015



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

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

**INDEPENDENT AUDITOR'S REPORT**

**To the Commissioners, Victorian Commission for Gambling and Liquor Regulation**

*The Financial Report*

The accompanying financial report for the year ended 30 June 2015 of the Victorian Commission for Gambling and Liquor Regulation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the chair's, accountable officer's and chief finance and accounting officer's declaration has been audited.

*The Commissioners' Responsibility for the Financial Report*

The Commissioners of the Victorian Commission for Gambling and Liquor Regulation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*


As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as evaluating the overall presentation of the financial report.

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

*Auditing in the Public Interest*



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

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

**Independent Auditor's Report (continued)**

*Independence*


The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

*Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Commission for Gambling and Liquor Regulation as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
27 October 2015

*for*   
Dr Peter Frost  
Acting Auditor-General

**2**  
*Auditing in the Public Interest*



