

Victorian Commission for Gambling and Liquor Regulation

Annual Report 2020–21



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Letter to the Minister

The Hon. Melissa Horne
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 (VCGLR) Annual Report for the year ended 30 June 2021 for you to present to Parliament. The Annual Report has been prepared in accordance with the *Financial Management Act 1994* and the *Victorian Commission for Gambling and Liquor Regulation Act 2011*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Kennedy', written in a cursive style.

Ross Kennedy PSM

Chairperson

Victorian Commission for Gambling and Liquor Regulation

30 November 2021

Contents

Letter to the Minister	3
Message from the Chairperson and CEO	6
About us	8
Our people	9
Our organisation	12
Our vision	15
Our purpose	15
Our values	16
Our regulatory approach	17
The Commission	18
Commission meetings, inquiries and hearings	18
Actions	20
Performance reporting	22
Statement of Expectations	22
Service Delivery measures	24
Application determination times	26
VAGO follow up report	26
Compliance and enforcement	28
Enforcement outcomes	28
Complaints	30
Demerit points	31
Education and voluntary compliance incentives	32
Gambling campaign	36
Further implementing our risk-based approach	37
Licensing	37
Compliance	37
Enhancing compliance risk-based tools	38
Focus on harm minimisation	39
High-risk inspections	39
Breach-to-enforcement rate	39
Regional presence	40

Major licensee monitoring and reporting	41
Major licensee oversight.....	41
The NSW Casino Inquiry, the Victorian Royal Commission and the review into Victoria’s casino regulatory framework	41
Disciplinary action against Crown	42
China investigation	42
Reviewing and amending approved internal controls	43
Update on implementation of casino review recommendations.....	43
VCGLR in the media.....	44
Coronavirus (COVID-19).....	45
VCGLR industry response	45
VCGLR staff support	46
Responding to our Corporate Plan.....	47
Be an influential regulator	47
Apply a responsive regulatory practice.....	50
Enhance the user experience	52
Build and maintain a sustainable organisation	53
Appendices.....	55
Appendices.....	56
Appendix One – Disclosure Index	56
Appendix Two – Ministerial Directions and regulatory requirements	58
Appendix Three – Additional information	59
Appendix Four – Gambling licensing-related activity	60
Appendix Five – Liquor licensing-related activity	67
Appendix Six – Other compliance and enforcement.....	71
Appendix Seven – Corporate Plan.....	74
Appendix Eight – Governance	78
Other committees	80
Occupational health and safety	81
Freedom of Information	81
Comparative workforce data	84
Appendix Nine – Office-based environmental impact.....	89
Financial statements.....	93

Message from the Chairperson and CEO



It has been both a year of achievement and a year of challenge for all at the VCGLR. We have continued to focus on the delivery of services to a high standard, despite the challenges of operating in a shifting environment as a result of the Coronavirus (COVID-19) pandemic and despite the increased workload and public scrutiny of a Royal Commission into the Melbourne casino operator and licence. We were tested and we demonstrated our resilience, our responsiveness and our agility.

This Annual Report sets out our service delivery and achievements for the year, of which we are justifiably proud, while recognising the enormity of the work we have ahead of us.

Above all else, it has been a year of unequivocal affirmation that our Commissioners, management and staff are all committed and dedicated to our mission: to regulate Victoria's gambling and liquor industries to ensure their integrity and to minimise harm.

Our performance

Our workload continued to be significantly impacted by the COVID-19 pandemic, and we adjusted our priorities accordingly to support the government's comprehensive response. Our newly established Public Health Enforcement Team (PHET) members actively inspected venues to ensure compliance with the Chief Health Officer directions made under the *Public Health and Wellbeing Act 2008* to address the serious public health risk posed by COVID-19.

Despite new demands, we continued to deliver improvements in our regulatory operations. This is demonstrated by the significant work undertaken to achieve the performance improvements and targets set out in the Statement of Expectations (SOE). The SOE outlines the Minister for Consumer Affairs, Gaming and Liquor Regulation's expectations and actions for us to achieve best practice in the administration and enforcement of regulation.

Meeting these expectations means we can provide better service to our community. Initiatives we have delivered include:

- making it easier for the Victorian Responsible Service of Alcohol certification to be completed online and recognised outside of Victoria, and vice versa
- delivering a new software solution to better triage incoming contacts with the Commission, enabling more efficient responses to requests for information.

While some of our performance improvements and targets have been impacted by COVID-19 restrictions, we continue to work towards meeting the Minister's expectations within these confines.

Our regulatory environment is a complex one. Our operations are subject to increasing community expectations, media scrutiny and ever-constrained resources.

Notwithstanding these complexities, this report demonstrates the strong enforcement action we continue to take in the gaming and liquor sectors against both major licensees and independent businesses in order to meet the primary legislative objective of minimising harm.

Some of our major regulatory enforcement activities were:

- In July 2020, we successfully prosecuted the licensee of the Bairnsdale Bowls Club for allowing people under the age of 18 (minors) to gamble on their premises.
- In October 2020, we successfully prosecuted the licensee of Sin City Gentlemen's Club in Dandenong. The licensee was fined \$5,000 and the venue manager barred for two years for breaching liquor licence conditions and operating as a brothel without a licence.
- In November 2020, following our investigation into a bingo centre in St Albans, the licensee was ordered to pay \$3,000 and placed on a 12-month good behaviour bond for breaching the *Gambling Regulation Act 2003* on several counts.
- In December 2020, Tabcorp and two hotels in Melbourne's northern suburbs were prosecuted for allowing minors to gamble. As a result, Tabcorp was fined \$23,000 and the hotels were fined a total of \$19,000 for their respective breaches.
- In April 2021, we took disciplinary action against Crown Melbourne Ltd for failing to comply with regulatory requirements in relation to junket operations. We fined the casino operator \$1 million (the maximum fine available under the *Casino Control Act 1991*) and banned it from conducting junket operations unless we approve this activity.

Our people

As always, we acknowledge the professionalism and commitment demonstrated by staff in delivering on our regulatory responsibilities.

We wish to acknowledge the work of Helen Versey who stepped down as Deputy Chairperson in August 2021. Since commencing in the role in 2015, Helen brought her extensive experience in the public and private sectors to improve our governance and how we regulate the gambling and liquor industries.

We are preparing for a period of change as the government responds to the Royal Commission's findings and recommendations on the regulation of the Melbourne casino, and implements the new regulatory model it announced at the same time as the Royal Commission.

In the interim, we maintain our unrelenting focus on harm minimisation, and on regulating the gambling and liquor industries to ensure they operate with integrity.

Looking to the future

The industries we regulate continue to evolve in response to COVID-19. They are becoming increasingly complex and are subject to greater public scrutiny than ever before. Similarly, the spotlight has been on us as the regulator of the Melbourne casino, whose operator has been subject to inquiries and Royal Commissions in three states.

The greatest challenge to meeting the regulatory expectations of all stakeholders is being able to maintain and leverage capability and capacity that keeps pace with ever-changing needs. While the industries we regulate evolve and their complexities increase, our overall resourcing continues to contract. This position is not sustainable and increases the risk of undetected non-compliance in the industries we regulate.

The Victorian Government has announced it will establish a separate gambling and casino regulator, the Victorian Gambling and Casino Control Commission. A challenge for the future is ensuring that the powers and resources afforded to both the regulators of the liquor and the gambling industries are sufficient to detect and deter poor behaviour, as well as meet community expectations.



Ross Kennedy PSM
Chairperson



Catherine Myers
Chief Executive Officer

About us

The Victorian Commission for Gambling and Liquor Regulation (VCGLR) is one of several regulators in a complex system of oversight of the gambling and liquor industries. We work collaboratively with a wide range of state and federal government regulators and law enforcement agencies. We are responsible for monitoring and regulating these industries and ensuring compliance with relevant gambling and liquor legislation. We also inform industry and the public about our regulatory practices and requirements.

With oversight of approximately 24,500 liquor licences, almost 600 Keno outlets and 700 wagering and betting agents, we also manage the statewide cap of up to 30,000 electronic gaming machines across approximately 500 individual gaming venues, more than 800 lottery agents and a casino operator.

In 2020-21, we assessed and determined more than:

- 7,500 gambling applications spanning gaming industry employees, casino special employees and venue operator's licences, as well as overseeing bookmakers, community and charitable gaming, sports controlling bodies, wagering and regulating public lotteries¹
- 15,172 liquor licence-related applications, such as applications for new permanent liquor licences and permits, temporary and major event licences, variations to existing licences and permit conditions, and transfers of existing licences or permits.

Our functions, duties and obligations are set out in several Acts of Parliament, including the *Victorian Commission for Gambling and Liquor Regulation Act 2011* (VCGLR Act).

We regulate:

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

The Governor in Council, on the recommendation of the Minister for Consumer Affairs, Gaming and Liquor Regulation, appoints Commissioners to act as our statutory officers. Commissioners are accountable for statutory decision-making and are the equivalent of directors of a public sector board responsible for strategy, governance and risk management. Their statutory decisions relate to a range of matters, including the grant, variation and transfer of licences and permits, disciplinary actions against licensees and permittees, and reviews of the decisions made under delegation by individual Commissioners or members of staff.

The Chairperson convenes and presides at Commission meetings and is also the public service body head for the purposes of the *Public Administration Act 2004* (PA Act) with respect to employment matters. In conjunction with the Chief Executive Officer (CEO), the Chairperson and other Commissioners determine and oversee arrangements for our internal governance to ensure clear lines of accountability and reporting, a consistent approach to decision-making, disciplined performance, and ethical, transparent relationships with stakeholders.

The Commission operates four governance committees:

- people and culture
- audit and risk management
- legislation, regulation and policy
- Crown governance steering committee.

¹Information correct as of 30 June 2021.

Our people



Ross Kennedy PSM Chairperson

Ross has an extensive background working at senior executive levels serving the Victorian Government and community.

He was the Executive Director responsible for liquor, gaming and racing at the then Victorian Department of Justice immediately prior to joining the VCGLR – a role he had performed for more than 10 years.

During his time in that position, he led significant change in the regulation of Victoria's gambling and liquor industries. Between 1994 and 2003, he 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.



Helen Versey Deputy Chairperson

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

She holds a combined honours degree in law and sociology from Exeter University (United Kingdom). She worked in private practice as a litigation lawyer and advocate prior to joining the Western Australia's Equal Opportunity Commission. She was a member of the Commission's Corporate Executive and acted as Commissioner during the substantive Commissioner's periods of absence. Helen served as the Victoria's Privacy Commissioner from 2006 to 2012.



Deirdre O'Donnell PSM Deputy Chairperson

Deirdre has broad experience in executive roles in the public and not-for-profit sectors.

She has qualifications in arts and education, with a Master of Business Administration and a Master of Commercial Law from the University of Melbourne. She was State Ombudsman in Western Australia, Ombudsman for the Telecommunications Industry and the inaugural New South Wales Information Commissioner. In 2008, she was awarded the Public Service Medal for outstanding public service as the State Ombudsman for Western Australia.



Danielle Huntersmith Commissioner

Danielle has over 25 years experience as a barrister.

She is a Member of the National Sports Tribunal. She is also a Nationally Accredited, Advanced Mediator at the Victorian Bar and a Director of Australasian Society of Cosmetic Dermatologists. She has also been a director of the Skin Health Institute and chairperson of their governance committee. Prior to this, she was a member of the Liquor Licence Panel, sat on the Federal Government's National Alternative Dispute Resolution Advisory Council, was the vice-chairperson of the Institute of Arbitrators and Mediators Australia (Vic) and the Deputy Chairperson of the Alternative Dispute Resolution Committee of the Victorian Bar. Danielle was appointed to the Commission on 3 December 2019.



Andrew Scott Commissioner

Andrew has practised as a lawyer in the private sector for over 40 years as a business law specialist and a sports law expert.

He is a past president of the Law Institute of Victoria and, in the public sector, has served as a board member of the Victorian Legal Services Board and Chairperson of the Liquor Licensing Panel. He is currently a director of Swimming Victoria and YMCA Victoria, where he has chaired various sub-committees, including YMCA's Risk Sub-Committee. Andrew was appointed to the Commission on 3 December 2019.



Des Powell AM
Sessional Commissioner

Des is an experienced senior executive and director within the private and public sectors.

Currently he is Chairperson of TAFE Gippsland, Director of the Victorian Regional Channels Authority, a Director of Barwon Water and a Director of Mercy Education.



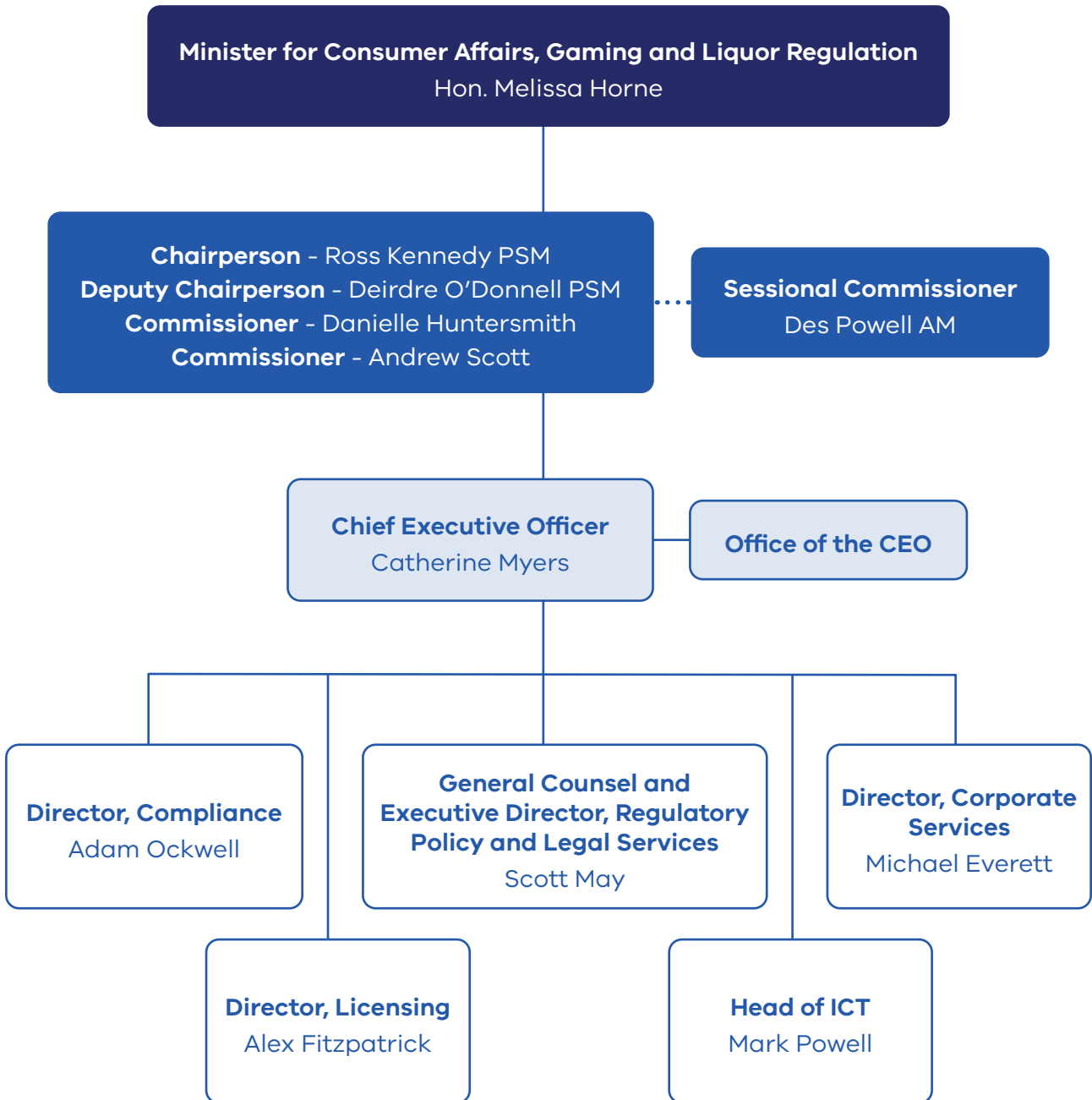
Catherine Myers
Chief Executive Officer

Catherine has an extensive background in communication, regulation, education, strategic planning and client services within both the public and private sectors.

She holds a Bachelor of Education and a Master of Business Administration from La Trobe University. Catherine has led extensive operational reform, including the development of risk-based tools and decision-making frameworks in gambling, licensing and compliance monitoring practice since starting at the VCGLR when it was established in 2012. She holds the position of Trustee of the International Association of Gaming Regulators for the Asia/Oceania region.

Our organisation

Our organisational structure comprises five divisions that report to the CEO and an administrative and co-ordination function within the Office of the CEO.



Licensing

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

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

- administration of the demerit point system
- Community Benefit Statement returns by clubs
- bingo and raffle returns
- gaming machine entitlement instalment payments
- oversight of gaming industry participants.

It also conducts a range of audits to ensure the integrity of gambling operations and the accuracy and completeness of revenue distributions from gambling.

The division oversees and regulates Victoria's major gambling licences by establishing relationships with licensees and key industry stakeholders, monitoring performance and compliance with licences and agreements, and identifying and managing risks to achieve positive regulatory outcomes.

Using data from venue operators, the division regularly publishes gaming expenditure on our website including:

- monthly gaming expenditure by local government area
- bi-annual gaming expenditure by each gaming venue.

Historical data is also maintained on our website to assist stakeholders with expenditure-related queries.

Compliance

The Compliance Division is responsible for inspecting, educating, monitoring, and enforcing compliance with Victoria's gambling and liquor legislation by regulated entities. It achieves this through a risk-based, intelligence-led approach to identify and manage risks and harms.

Inspectors conduct inspections of licensed premises, gaming venues, and gambling activities to ensure awareness of, and compliance with, legislative requirements. The division has dedicated teams for complaints and investigations, monitoring Melbourne casino and performing system audits on major licensees. The division's Education team leads activities with regulated sectors via campaigns, training programs, and industry and community stakeholder events. The Public Health Enforcement Team (PHET) conducts inspections and manages breaches related to Chief Health Officer (CHO) Directions.

The division actively engages with external partners, including law enforcement, regulatory bodies, local municipal authorities, and other state and federal government entities. Stakeholder engagement is one of its priorities, and it makes efforts to effectively engage with partner agencies to achieve joint objectives.

Office of the CEO

The CEO leads the Executive Management Team, manages the organisation and reports to the Commission.

The CEO has established system and processes to monitor and report on the progress of our commitments, assessing our effectiveness and aligning resources with organisational priorities.

The Office of the CEO plays a key role in supporting the implementation of our strategic direction and embedding the VCGLR's organisational priorities by providing advice and operational support to the CEO. The Office also acts as the primary point of contact and coordination with the minister's office, the Department of Justice and Community Safety and other government agencies.

Regulatory Policy and Legal Services

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

The division provides legal advice and acts as Counsel assisting the Commission in inquiries, prosecutes offences under gambling and liquor legislation, and represents the Commission in appellate and review proceedings.

It also helps provide advice to the Minister on the implementation of Victorian Government policy in gambling and liquor regulation, as well as with the operationalisation of any legislative and regulatory reforms.

The division also facilitates the development of innovative and effective regulatory practices, considers and implements contemporary regulatory theory and practices, and collaborates with key external stakeholders.

Corporate Services

The Corporate Services Division provides internal service support across the organisation including finance, business services, people and culture, governance and risk, and strategic communication functions.

The division is responsible for ensuring accurate, transparent, and timely management and reporting on the financial performance of the VCGLR, as well as the collection of licence and taxation revenue of more than \$1.56 billion for 2020-21. The division leads procurement and records management for the organisation, as well as facilities management and office administration. The governance and risk functions of the division ensure the organisation's compliance with whole-of-government governance frameworks and policies, as well as business planning and performance reporting functions. The division also manages the organisation's internal and external communication functions including media relations, branding and digital communication.

People and culture functions are also carried out by the division. They include staff development, industrial and employee relations, payroll, and occupational health and safety.

Information and Communication Technology

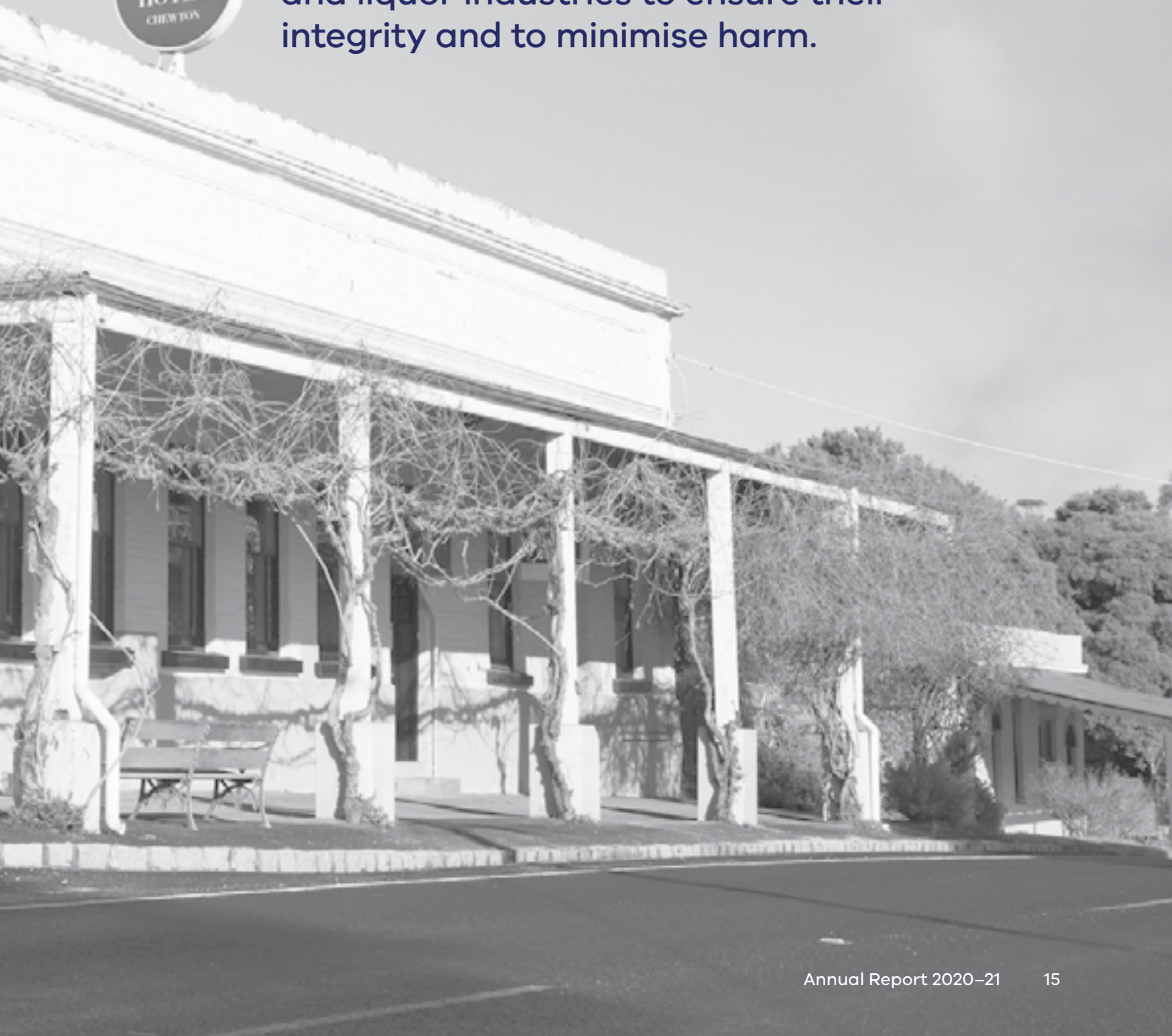
The Information and Communication Technology (ICT) division manages a broad suite of digital applications, infrastructure and processes to ensure continuous availability of service to internal and external stakeholders, and to protect the organisation's systems against security threats. Along with supporting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

Our vision

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

Our purpose

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



Our values

We play a critical role in the regulation of Victoria's gambling and liquor industries to ensure their integrity and to minimise harm. As public sector employees, our people uphold the Victorian public sector values as established by the PA Act.

Our four values, aligned with the values in the PA Act, guide behaviours and decision-making. They ensure trust and confidence in our work, and our ability to achieve our vision and purpose.

Embedding our values across the organisation enhances the capabilities of individual staff, and strengthens our capacity to operate effectively and achieve our objectives. It also improves outcomes. The values underpin each of the key objectives of our Workforce Strategy, and we recognise their role in underpinning the culture of the organisation.

Our values



Work together

We work together, encourage and support each other. We consult to achieve shared goals and keep people informed. We develop and maintain positive working relationships, collaborate, and acknowledge and celebrate success.



Respect other people

We treat all people with respect, seek different perspectives and approaches, and value work/life balance. We foster an environment where people give and receive constructive feedback and consider the ideas and contributions of others.



Act with integrity

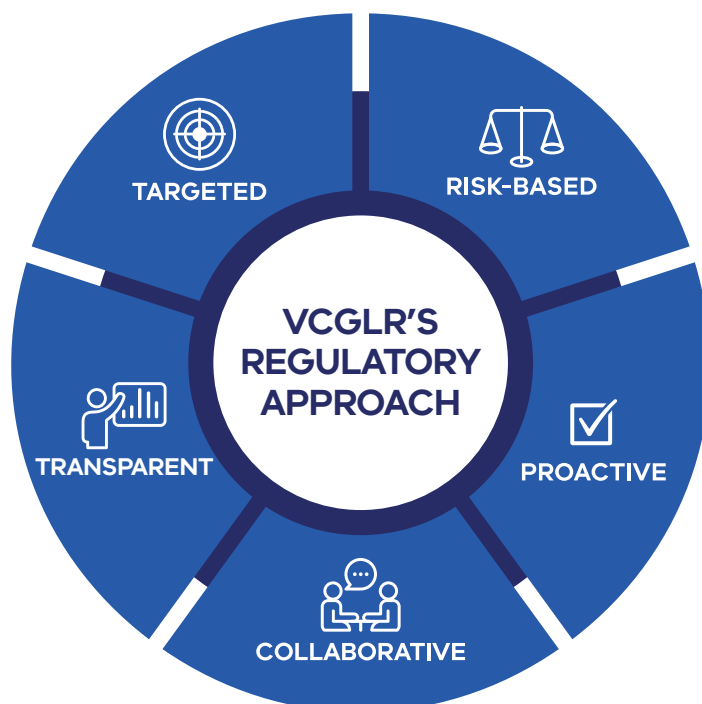
We are accountable for our actions. We are honest, fair and reliable. We approach our work with enthusiasm and commitment, apply sound judgement and common sense, and embrace personal and professional development.



Make it happen

We think and plan ahead, focus on agreed priorities, deliver on commitments and meet agreed timelines. We are responsive and flexible, and strive for excellence.

Our regulatory approach



We perform our regulatory functions through an integrated approach focused on:

- using our licensing, information and education, monitoring and enforcement functions in combination to address issues, recognising that we are more effective if different regulatory tools are used in combination
- achieving our regulatory objectives and positive outcomes for the community.

We use information and education as a regulatory tool to support voluntary compliance. Information we gather from monitoring the gambling and liquor industries informs all our functions.

Our approach acknowledges the effectiveness of a multi-faceted use of regulatory tools to achieve compliance.

More information about our regulatory approach is available on our website.

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

Risk-based

We aim to use a consistent and risk-based approach to guide our activities and use of resources.

Proactive

We make independent decisions, identify emerging issues and respond before the community suffers from significant harm.

Collaborative

We work collaboratively with our regulatory partners, the gambling and liquor industries, and the community.

Transparent

We are open about how we regulate.

Targeted

We choose proportionate enforcement sanctions that target individual offenders to change their behaviour and secure compliance with gambling and liquor laws for the protection of the community.

The Commission

Under the VCGLR Act, we may exercise our functions by convening a meeting or arranging an inquiry (tribunal matters) and publishing details of all upcoming public hearings on our website. Unless confidentiality considerations apply, we generally hold public hearings on matters such as:

- applications for approval of a premises as suitable for gaming (new premises)
- applications to vary (by increase) the number of gaming machines permitted in an approved venue (electronic gaming machine increase)
- contested liquor applications
- disciplinary action inquiries
- internal reviews and appeals of decisions made by delegates of the Commission or a single Commissioner.

Commission meetings, inquiries and hearings

This year, we held 84 matters in 2019-20. We determined or concluded 75 matters (an increase compared to 48 in 2019-20), including some carried over from the previous financial year.

Eighteen hearings were conducted remotely by video conference during the Declared State of Emergency.

We publish the reasons for our decisions in relation to most inquiries on our website as well as the Australasian Legal Information Institute website (subject to confidentiality or privacy requirements).

Table 1 - Commission meetings, inquiries and hearings 2020–21

	Received	Hearings*	Matters Determined#	Matters Concluded^	Outstanding as at 30 June 2021
Casino – appeal against self-exclusion order	1	0	0	1	0
Gambling – internal appeal	7	2	5	2	0
Gambling – disciplinary action (major licences)	3	2	2	0	1
Gaming – new premises	2	2	2	0	0
Gaming – electronic gaming machine increase	3	3	2	0	2
Gaming – variation to venue operator licence condition	6	0	11	0	1
Liquor – contested application	0	4	0	0	6
Liquor – internal review	44	19	29	20	29
Liquor – disciplinary or amenity inquiry	2	2	1	1	1
Liquor - application to revoke barring order	0	0	0	0	0
Total 2020-21	68	34	51	24	40
Total 2019-20	84	39	36	12	N/A

Notes: * Includes Private and Public Hearings, Direction Hearings and Preliminary Conferences

Not all matters are necessarily determined or concluded in the same financial year as they are received

^ Matters concluded without a decision, such as being withdrawn by applicant or found to be invalid.

Commission (Board) Meetings	Number of meetings
Regular	12
Special	2
Total 2020-21	14
Total 2019-20	13
Single Commissioner decision under delegation**	7

** Single Commissioners may also make various decisions under a power of delegation that are not exercised at meetings, inquiries or hearings. In 2020-21, seven decisions were made at this level.

We also held various committee meetings throughout the year.

The operation of these committees ensures appropriate oversight and governance of critical areas of the organisation's operations. Appendix Eight contains further details of each committee.

Table 2 – Commission committee meetings

Commission Committee	Number of meetings
Audit and Risk Management Committee	5
People and Culture Committee	3
Crown Governance Steering Committee	30
Legislation, Regulation and Policy Committee	4
Total	42

Actions

Our key actions and external influences on operations throughout 2020-21

July 2020

We prosecuted the licensee of the Bairnsdale Bowls Club for allowing people under the age of 18 (minors) to gamble on their premises. The Court imposed a diversion order including directing the licensee to **donate \$1,000** to a foundation, pay legal costs and provide a list of measures to be implemented to ensure minors are neither encouraged to gamble nor allowed to do so.

August 2020

Inspections recommenced at licensed venues to monitor compliance with the LCR Act and PH&W Act.

We approved the move to the **nationally accredited Responsible Service of Alcohol (RSA) course** SITHFAB002.

September 2020

We approved temporary policies to allow patrons to be **served liquor in outdoor dining** areas during COVID-19 restrictions.

We issued a **letter of censure** and rectification direction to Intralot Gaming Services for failing to deliver certain Technology Review Plan deliverables.

We established a **Regulation Working Group** with senior staff, including representatives from the Department of Justice and Community Safety, Department of Environment, Land, Water and Planning, and Department of Jobs, Precincts and Regions to mandate and determine initiatives for licensed venues under COVID-19 restrictions.

We prosecuted a bingo centre, Anva Holdings Pty Ltd, in St Albans for conducting bingo and a pooling scheme not in accordance with the GR Act and failing to keep accurate accounting records. The licensee was ordered by the Sunshine Magistrates' Court to **pay \$3,000** and placed on a **12-month good behaviour bond**.

October 2020

November 2020

We prosecuted Sin City Gentlemen's Club in Dandenong for breaching its liquor licence conditions and operating as a brothel without a licence. The licensee was **fined \$5,000** and the venue manager **barred for two years**.

We recognised online delivery of the nationally accredited RSA course and invited accredited Registered Training Organisations to apply to deliver the course online.

We **prosecuted** Bingo Bonanza Pty Ltd for breaches relating to unauthorised gambling, managing a bingo centre without a licence and conducting bingo not in accordance with the GR Act.

We conducted joint operations with the Department of Health and Human Services targeting breaches of the PH&W Act in the Geelong area for the grand final weekend.

We **issued a show cause notice** to Melbourne casino for non-compliance with their internal control statements for junket operations.

December 2020

We released an outdoor area COVID-19 temporary policy for non-seated drinking.

We **prosecuted** Tabcorp Wagering Pty Ltd, Summerhill Hotel Pty Ltd and Supreme Browns Pty Ltd for allowing minors to gamble. Tabcorp was **fined \$23,000** and the hotels were **fined a total of \$19,000** for their respective breaches.

We decided to bring forward the Seventh Casino Review by two years to be completed by December 2021. However this was later postponed due to the Victorian Royal Commission.

January 2021

We issued the Melbourne casino with a **non-compliance notification** for failing to conduct games in accordance with the approved rules.

February 2021

Recruitment commenced for our PHET to manage breaches under the CHO and PH&W Act.

We developed a **Gaming Venue Checklist**, which was launched by the Minister at a Shepparton RSL

We finalised and submitted our **Crown China investigation report** to the Minister.

The Victorian government announced the Royal Commission into the Casino Operator and Licence.

March 2021

Our Education team relaunched its 'New licensees' campaign after suspension due to the COVID-19 pandemic.

Education team launched three Self-Paced Guides (SPGs) for Packaged Liquor, Full Club and Producer's licences.

April 2021

We **fined Melbourne casino the maximum amount of \$1 million** under section 20 of the *Casino Control Act 1991*, for failing to comply with regulatory requirements in relation to junket operations. We also banned it from operating junkets until our approval is given.

May 2021

9 Point Karaoke subject to a **24-hour compulsory closure order** for receiving five demerit points.

We presented evidence to the Royal Commission into the Casino Operator and Licence. Our team leader, Investigations, spoke to evidence contained in our Crown China investigation report, with a redacted version published on the Royal Commission's website.

June 2021

RTO contracts renewed to allow for the recognition of the nationally accredited RSA course as the only approved initial RSA training in Victoria from 1 July 2021.

We provided **61,000 pages of material** to the Royal Commission.

We granted **709 Temporary limited licences** under our takeaway and home delivery COVID-19 temporary policy.

We granted **1,666 Temporary limited licences** under our outdoor area COVID-19 temporary policies.

Performance reporting

We have various organisational objectives and performance measures arising from government expectations and key performance indicators, which can be found in the Minister's Statement of Expectations (SOE), the Victorian government's Budget Paper No. 3 and the follow up review of our 2017 audit by the Victorian Auditor-General's Office (VAGO).

We also report against key organisational outputs outlined in our VCGLR 2020-23 Corporate Plan. These include our enforcement and compliance activities, major-licensee monitoring and regulation, stakeholder and industry engagement, education efforts, and improvements in operational capability through the rollout of our workforce and ICT strategies.

This year, we have also reported against reviews conducted of our risk-based approach and our regional hubs, as well as the impacts of COVID-19.

Statement of Expectations

In line with the Victorian Government's commitment to promote greater efficiency and effectiveness in the administration and enforcement of regulation, the Minister for Consumer Affairs, Gaming and Liquor Regulation issued a new SOE on 1 July 2019. This SOE applies from 1 July 2019 to 30 June 2023, unless otherwise amended.

An SOE is an agreement on performance improvements and targets between the Minister and the regulator. Key elements of governance and operational performance improvements and targets in the SOE include:

- making it easier for the Victorian Responsible Service of Alcohol (RSA) certification to be recognised outside of Victoria, and vice versa
- improving the ability of people to access YourPlay by raising awareness of the obligation on venue operators to issue registered player cards on request
- developing and implementing new software to better triage incoming contacts with the Commission, enabling more efficient responses to requests for information.

The progress we made against these targets are outlined below.

Make it easier for the Victorian Responsible Service of Alcohol certification to be recognised outside of Victoria, and vice versa

From 12 October 2020, accredited Registered Training Organisations (RTOs) were able to deliver the national RSA training course, Provide Responsible Service of Alcohol (SITHFAB002), in Victoria. RTOs were also able to apply to deliver this course online.

These changes were in response to consultation with Victorian RTOs and industry stakeholders to help achieve the State Government's commitment to reducing red tape, and to make it easier for Victorians to have their RSA certification recognised nationally.

Anyone with a SITHFAB002 qualification obtained through face-to-face or online training from an RTO recognised in another state or territory can now also have their qualification recognised in Victoria. A free online bridging course needs to be completed to ensure interstate students know about Victorian-specific liquor laws and requirements. Our branded certificate is the only certificate accepted by our inspectors and Victoria Police.

Improve the ability of people to access YourPlay by raising awareness of the obligation on venue operators to issue registered player cards on request

Regulatory YourPlay inspections were suspended from 18 May 2020 due to the COVID-19 pandemic.

The Education team's gaming campaign—promoted through our various communication channels—addressed YourPlay. It is also included in our Gaming Venue Checklist, which was launched in February 2021.

A YourPlay Education Officer has recently been engaged by the DJCS and our Education team regularly meets with them to ensure our activities are aligned.

Develop and implement a new software solution to better triage incoming contacts with the Commission, enabling more efficient responses to requests for information

We implemented a range of software upgrades for Client Services to increase the efficiency of responses to the Victorian community. These improvements include:

- fixes and developments for the rules functionality, enabling faster triage of common emails to provide efficiency gains during email allocation
- introduction of an automated classification at triage to improve efficiency in reporting and improve response times
- improvement in the 'look and feel' and audit functions of the contact solution to improve usability and training for staff using the software
- expansion of the comments fields to improve traceability, knowledge sharing, and staff handover of enquiries and tasks.

Service Delivery measures

The Victorian Government's Budget Paper 3: Service Delivery (BP3) provides an overview of the goods and services funded by the Victorian Government and delivered by state departments. The overview includes how the goods and services support the government's strategic priorities and objectives. Our performance measures 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.

We aim to meet or exceed the performance measures set out in BP3 each year.

Our operational activities were impacted by COVID-19 restrictions. Accordingly, we only achieved four of our 14 performance measures or exceeded the target. Restrictions also particularly impacted the gambling industry, with gaming venues or the gaming area of a licensed premises closed for significant periods. As a result, on-site gambling inspections in both metropolitan and regional Victoria could not be undertaken at their normal rate. Casino audits were also severely impacted due to the casino being closed for significant periods.

Pleasingly, our client satisfaction rate was within one per cent of the target despite a constantly changing operating environment.

Gambling and liquor applications and licensee monitoring activities were all completed in the required timeframes.

The impact of government initiatives targeting the hospitality industry resulted in a 15 per cent increase in our provision of gambling and liquor information and advice. While COVID-19 impacted our court and regulatory actions target, our focus turned to educating licensees as regulated industries responding to changing public health restrictions throughout the year. The majority of the enforcement actions we took were warnings, and we detected a significant number of administrative breaches.

With the added requirement of ensuring compliance with the PH&W Act, liquor inspections in metropolitan Melbourne were the focus of the year resulting in this target being exceeded by 18 per cent.

Operations with co-regulators also targeting minors and intoxicated persons were significantly impacted throughout the year, given the closure of venues and the competing priorities of partner agencies in responding to the COVID-19 pandemic.

Regionally, several joint operations were conducted by inspectors from our Sale office and Victoria Police targeting licensed premises in the area and immediate surrounds. During a joint operation, two high-harm offences were detected at a premises where serious allegations relating to minors, drugs and other criminal matters had been made. The offence was in relation to 'supply liquor to an intoxicated patron' as well as a separate breach of the licence.

During times when restrictions impacted the ability for inspections or other operational measures to be conducted, inspectors undertook activities to maintain a regulatory presence in the gambling and liquor spaces. This included specialised projects, such as reviews and enquiries on licensed premises and gaming-venue websites, to ensure there was no inappropriate or illegal liquor or electronic gaming machine advertising. They also conducted thorough checks on commercial raffle organisers, club and community declared statuses, raffles conducted within Victoria, and gaming venues' codes of conduct. The dedicated casino team undertook a full review of all casino audits and updated them accordingly, where best practice initiatives could be implemented.

BP3 output performance measures

Table 3 – VCGLR BP3 outputs for 2020-21

Performance measures	Unit of measure	2020-21 Target	2020-21 Actual	Variance (%)
Quantity				
Gambling and liquor applications and licensee monitoring activities (VCGLR)	number	50,000	51,012	2.02
Gambling and liquor information and advice (VCGLR)	number	128,000	147,938	15.58
Gambling inspections completed by the VCGLR – metropolitan	number	1,350	1,009	(-25.26)
Liquor inspections completed by the VCGLR – metropolitan	number	5,400	6,417	18.83
Gambling inspections completed by the VCGLR – regional	number	250	123	(-50.80)
Liquor inspections completed by the VCGLR – regional	number	1,500	833	(-44.47)
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated - metropolitan	number	15	0	(-100)
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated – regional	number	5	2	(-60)
Gambling and liquor inspections conducted at high-risk times	per cent	12	7.23	(-39.75)
Audits of casino operations undertaken by the VCGLR	number	1,260	634	(-49.68)
Court and regulatory actions undertaken by the VCGLR	number	3,440	1,019	(-70.38)
Timelines				
Calls to VCGLR Client Services answered within 60 seconds	per cent	80	54.68	(-31.65)
Gambling and liquor approvals, licence, permit applications and variations completed within set time (VCGLR)	per cent	85	85.84	0.99
Quality				
Liquor and gambling licensing client satisfaction (VCGLR)	per cent	85	84	(-1.00)

Application determination times

We aim to determine 85 per cent of gambling and liquor approvals, and licence and permit applications within set time frames. In 2020-21, we exceeded this measure.

Table 4 – Licensing outputs for 2017-18, 2018-19, 2019-20 and 2020-21

Performance measure	Target (%)	Target achieved 2017-18 (%)	Target achieved 2018-19 (%)	Target achieved 2019-20 (%)	Target achieved 2020-21 (%)
Gambling and liquor approvals, licence and permit applications and variations determined by VCGLR within set times	85	94.2	94.9	94.4	85.8
Licensing activity	Set time (days)	Target achieved (%)	Target achieved (%)	Target achieved (%)	Target achieved (%)
Venue operator's licence	115	98.3	98.3	97.7	45.9*
Minor gaming permit	5	64.8	73.5	78.0	83.7
Gaming industry employee's and casino special employee's licences	11	90.5	92.1	90.8	75.1#
Declaration as community or charitable organisation	21	81.3	80.8	82.9	92.2
Application for liquor licence	77	96.7	97.0	96.8	94.1
Application for a BYO permit	46	90.7	93.5	98.2	94.8

Notes:

*This target was not achieved as more than half of the venue operator's licence applications determined beyond 115 days were from the same applicant company. The applicant company submitted numerous changes to its associates which caused delays in the processing of their applications

#This target was not achieved as gaming industry employee's licences and casino special employee's licences require a physical card to be printed. The ability to print these cards was limited due to staff working from home during the COVID-19 pandemic. To accommodate this, cards were printed twice a week, leading to a delay in determination times. This did not cause detriment to licensees as gaming venues were often closed due to COVID-19 trading restrictions.

VAGO follow up report

VAGO completed a follow-up performance audit of our organisation titled 'Follow up of regulating Gambling and Liquor.' The report of the audit was tabled in Parliament in November 2019 and made several recommendations on how to improve our operations in regulating the gambling and liquor industries.

In response to VAGO's first recommendation that we amend our liquor licensing process, we committed to developing additional liquor licence assessment templates. In 2020-21, three further licensing assessment templates were finalised for high-volume application types. This means we can now use assessment templates that incorporate system controls against data entry errors for high-volume application types.

Recommendation 8 related to revising our risk-based approach to compliance, to ensure better targeting of compliance activities. In response to this recommendation, we reviewed and improved these activities by:

- collecting intelligence and producing reports on issues and risks in the community to inform the targeting of compliance activities
- producing maps identifying high-risk venues not inspected within 12 months, recent licence transfers and recidivism among licensees
- producing maps cross-referencing Victoria Police assault and ambulance call-out data with licensed venue locations.

Recommendation 9 required us to complete a quality assurance framework for compliance, ensuring it focused on key divisional processes that contribute to the targeting and quality of inspections. To meet this recommendation, we progressed the finalisation and implementation of our quality assurance framework. This framework defines the roles and responsibilities for our Compliance Division staff members and sets out organisational expectations.

We completed the implementation of our single ICT system, which now manages gambling, liquor and casino compliance work in one database. This system enables a single source of truth for data, with appropriate security parameters.

We also reviewed and updated our standard operating procedures to ensure accuracy and best practice. This review encompassed compliance divisional processes and those related to the Casino team and its monitoring of the Melbourne casino's legislative obligations.

Recommendation 10 related to our training of compliance inspectors, ensuring that training is regular and ongoing. To meet this requirement, we designed and introduced training programs, together with a registered training provider. Inspectors complete this training to be authorised within their role and are awarded a Certificate IV in Government Investigations (Regulatory Compliance) when they achieve competency.

We also provided intelligence training to assist team leaders and inspectors better utilise our intelligence holdings to identify risks and appropriately task resources.

Recommendation 11 required us to complete planned actions to improve the supervision of casino operations at the Melbourne casino. It recommended we:

- 11.1 Identify and articulate the key risks associated with casino operations across the VCGLR via a risk matrix.*
- 11.2 Complete a regulatory map for all state based and federal regulators articulating the regulatory roles and responsibilities of all agencies engaged with the Melbourne casino operations.*
- 11.3 Establish a VCGLR communications strategy for casino regulators that the VCGLR can use to engage with federal and state agencies.*

We have implemented this recommendation by developing a matrix, regulatory map and communications strategy relevant to the casino's operations.

Recommendation 14 was for the VCGLR and Victoria Police to develop a comprehensive collaborative enforcement strategy to more efficiently and effectively target harms associated with licensed premises. To achieve this aim, we developed a joint enforcement strategy that provides a high-level framework for a unified approach to liquor enforcement. The strategy document details:

- roles, functions and mutual enforcement obligations
- goals and values
- operational approach
- strategies
- implementation and monitoring.

While competing priorities, including our respective responses to the COVID-19 pandemic, impacted the work conducted by the two agencies, this strategy will continue to inform how we work together in the future.

Compliance and enforcement

The aim of our enforcement regime is to achieve high levels of voluntary industry compliance, and reduce and minimise harm. We use a graduated response to compliance and enforcement and take action against businesses or individuals for non-compliance with gambling and liquor laws.

We have taken on the role of managing breaches under the PH&W Act, resulting from Victoria's response to the COVID-19 pandemic. To that end, we established the PHET in March 2021 for a fixed term period. The team conducts surveillance and inspections of licensed premises to appropriately manage breaches under the PH&W Act. The PHET works with the Industries Engagement and Enforcement Operation team, the overarching committee responsible for public health issues, which comprises representatives from several government agencies.

One example of our public health work is a joint operation we undertook with Victoria Police and Department of Health and Human services (DHHS). This operation identified a number of breaches in metropolitan Melbourne under the PH&W Act, with one licensed premises fined almost \$10,000 for exceeding its permitted maximum capacity for patron numbers. Commensurate enforcement action was taken against licensed premises where offences against the PH&W Act and the LCR Act were detected.

For further information, refer to Appendix Six. Other Compliance and Enforcement

Enforcement outcomes

We have a range of sanctions available for where breaches of gambling and liquor legislation or regulations occur. Enforcement activity can range from warnings and risk management discussions to prosecution or disciplinary action. The most appropriate enforcement action is determined in accordance with our regulatory approach. A range of factors, including the severity of the breach, harm to the community and history of non-compliance, are considered. Where licensees do not genuinely make an effort to meet the required standards, we escalate the severity of sanctions taken.

This year, we successfully prosecuted six entities for contravening gambling and liquor legislation and commenced eight further prosecutions, which are still before the courts. We also took disciplinary action against licensees on a number of occasions. Details of these actions are available on our website.

Table 5 – Enforcements outcomes

Date	Nature of contravention	Enforcement outcome
29 October 2020	Bingo Bonanza Pty Ltd (trading as Bingo Bonanza in Epping): Inspectors observed the management or control of a bingo centre when not holding a bingo centre operator’s licence, contrary to section 8.5.1 of the GR Act	Adjourned on good behaviour for one year, fined \$500 and ordered to pay \$200 in legal costs to the VCGLR.
26 November 2020	Anva Holdings Pty Ltd (a licensed bingo centre operator trading as St Albans Bingo Centre): Inspectors observed the conduct of bingo not in accordance with legislative and regulatory requirements, contrary to sections 8.2.2(b), 8.4.8(3) and 8.5.37(1) of the GR Act	Adjourned on good behaviour for one year, fined \$3,000 and ordered to pay VCGLR’s statutory costs.
10 December 2020	Tabcorp Wagering (Vic) Pty Ltd (operating TAB agencies in Preston, Thomastown and Northcote): Inspectors identified multiple instances of allowing a minor to gamble, contrary to section 10.7.3(1) of the GR Act	Fined \$23,000 and ordered to pay \$17,469.17 in legal costs to the VCGLR.
	Summerhill Hotel Pty Ltd (trading as the Summerhill Hotel in Reservoir): Inspectors identified multiple instances of allowing a minor to gamble, contrary to section 10.7.3(1) of the GR Act, and failing to reasonably supervise the electronic betting terminal, contrary to section 10.7.10 of the GR Act	Fined \$15,000 and ordered to pay \$9,251.67 in legal costs to the VCGLR.
	Supreme Browns Pty Ltd (trading as the Browns Corner Hotel in Coburg): Inspectors identified multiple instances of allowing a minor to gamble, contrary to section 10.7.3(1) of the GR Act, and failing to reasonably supervise the electronic betting terminal, contrary to section 10.7.10 of the GR Act	Fined \$5,000 and ordered to pay \$4,000 in legal costs to the VCGLR.
25 March 2021	Individual: Inspectors observed liquor being sold and offered for sale while the defendant was not the holder of a liquor licence, contrary to section 107(1) of the LCR Act	Adjourned on good behaviour for two years and ordered to pay VCGLR’s statutory costs.

Complaints

Our mandate is to regulate businesses involved in the supply of gambling and liquor. However, during the 2020-21 financial year, we also focused our resources on alleged breaches under the PH&W Act as part of the government's response to the COVID-19 pandemic.

When we receive a complaint, we assess it to determine its validity and what action can be taken. We conduct a formal investigation and take regulatory action if an offence is identified. If a complainant is dissatisfied with a result, they can request an internal review.

During 2020-21 we received, reviewed and triaged a total of 4,243 complaints. Of these complaints, 2,849 referrals came from Victoria Police for alleged breaches of the PH&W Act related to CHO Directions.

Once our PHET was established, PH&W Act complaints were referred to it team for investigation. Of the 1,394 complaints that were not public health referrals, 785 were liquor related, 572 were gambling related, 32 were linked to the casino, and five involved a combination of liquor and gambling matters. The 1,021 complaints we investigated resulted in a range of outcomes. A number were withdrawn, 448 were unsubstantiated when examined and over 200 matters are still under investigation.

Case study: Complaints

In November 2020, an anonymous complaint was made stating The White Label Company, Kew, was selling liquor online without a licence, in breach of section 107 of the LCR Act.

We investigated this matter and the company confirmed it sold liquor online but stated it was done through a business that did hold a liquor licence.

Investigators contacted the business, which advised that The White Label was not associated with them. The business said it had no written or verbal agreement for The White Label to sell liquor under their licence.

Investigators obtained relevant evidence and took statements. As a result, we issued a Non-Compliance Notification to the entity in question for the breach and it subsequently closed its website and ceased selling liquor.

This is just one example from more than 4,200 complaints we investigated throughout the financial year.

The complaints we receive are handled systematically to ensure investigative policies and procedures are followed in accordance with the following four-step process.

1 RECEIVE

All complaints submitted to VCGLR must be made in writing via our online complaint form or by downloading our general complaint form and submitting by post.*

* The VCGLR retains the right to deviate from or alter this process in accordance with operational needs as required.

2 ASSESS

VCGLR will assess the complaint to determine if the complaint falls within jurisdiction.

3 INVESTIGATE

If appropriate, VCGLR will conduct an investigation.

4 RESOLVE

VCGLR will notify the complainant of the outcome once the complaint is resolved.**

** Unless the complaint is submitted anonymously.

UNHAPPY WITH THE RESOLUTION?

The complainant may request an internal review if they are unhappy with our response.

Demerit points

Victoria’s liquor licence demerit point system fosters a responsible liquor industry by encouraging voluntary compliance with liquor laws and accountable business practices. Under the system, licensees incur demerit points when there has been a serious non-compliance incident. While not all breaches attract demerit points, incidents such as supplying liquor to an intoxicated person, permitting a drunk person on a licensed premises, or supplying liquor to an underage person on a licensed premises will result in a demerit point.

Licensees incur one demerit point for each non-compliance incident, with points recorded against the licence for three years. A suspension of licence is triggered when a licensed venue reaches a certain threshold number of demerit points (5, 10, and 15 demerits).

Table 6 – Demerit points

	2018	2019	2020	2021
Demerit points	71	76	54	45
Number of venues	54	57	35	26

Under the LCR Act, current licensees whose premises incur a demerit point cannot apply to have the demerit point removed. However, demerit points are automatically removed following a transfer of a licence, unless there is a relationship between the old and new licensee.

Licensees who trade past 11pm and incur a demerit point are required to undertake additional training and education to ensure they are aware of their obligations and to reduce the likelihood of further additional breaches. The demerit point register is available on our website.

Case study: 9 Points Entertainment

In May 2021, we banned the sale of liquor for 24 hours at 9 Points Entertainment in Market Lane, Melbourne, after it recorded a fifth demerit point for non-compliance. We issued a notice of suspension to the licensee and the venue was banned from selling liquor for a 24-hour period from 7am Friday 14 May 2021. This was the second time we suspended a liquor licence in Victoria.

Education and voluntary compliance incentives

Working with partners

We work closely and collaboratively with co-regulators, law enforcement agencies and peak bodies. While this was challenging during the COVID-19 pandemic, we continued to make extensive efforts to achieve this objective. In particular, joint operational work was undertaken with Victoria Police and the DHHS targeting licensed premises for breaches of the PH&W Act and CHO Directions in relation to COVID-19 restrictions.

During October 2020, regional inspectors partnered with authorised officers from DHHS to conduct inspections of licensed venues. This was the first such partnership in a regional setting, with both agencies and licensees pleased with the collaborative effort. Inspections concentrated on COVID-19 requirements, as well as liquor legislation. A number of minor breaches of CHO Directions and liquor administrative matters were identified. Licensees were given the opportunity to rectify breaches during the inspection. We took an educative approach during this operation to ensure licensees became aware of their legislative obligations and were given the opportunity to voluntarily comply.

Education engagement with stakeholders

The Compliance Division's Education team leads outreach and other activities within the gambling and liquor sectors. It does this through targeted education campaigns, training programs and by overseeing the VCGLR's involvement in liquor forums, approval of accords, and related industry and community stakeholder events. The team engaged with new and existing stakeholders to provide education on regulated industries and associated legislative obligations.

Key engagements included:

- **Residents 3000** in an association of residents in Melbourne CBD, whose purpose is to enhance city living. The VCGLR, along with Victoria Police and City of Melbourne, presented to approximately 50 attendees via a webinar in December 2020, focusing on 'Outdoor Dining'. The group was concerned about the safety, amenity and accessibility resulting from the increase in outdoor dining areas. Our representatives provided an overview of the Temporary Liquor Licence for outdoor dining, as well as our compliance approach when working with our regulatory partners.
- **Good Sports** holds licensing seminars for sporting clubs and has provided information sessions to more than 70 clubs across the state. We work with Good Sports to ensure club members are aware of their minor gaming and liquor licence obligations.
- **Major Sporting Venues Liquor Forum** this forum represents large sports venues in Melbourne and Geelong, including Marvel Stadium and the MCG. Victoria Police also attend. Due to their large-scale precincts and events, these venues have specific challenges when it comes to managing crowds. These quarterly meetings aim to open lines of engagement between these large venues and regulators to develop plans and initiatives to keep fans safe. They provide an opportunity to share learnings with other venues. Two forums were held this year to allow for sharing knowledge and experience.
- **Australian Hotels Association (AHA)** represents 5,000 members across the country. We presented at two AHA webinars focused on safety in venues and strategies to manage patron behaviour, including intoxication issues, in November. Our Safe Function Guidelines and incident registers were of particular interest to attendees and we received positive feedback from AHA.

- **Victorian Responsible Gambling Foundation and Venue Support Workers**
Representatives from three divisions attended a webinar to discuss changes in the Responsible Gambling (RSG) Code of Conduct, developments for venue monitoring and enforcement, and the focus of our future work with venues.
- **Retail Drinks Australia** is a member-based association representing the interests of liquor retailers in Australia. The Education team engaged with this group to understand the challenges faced by their Victorian members, which are primarily small, independent bottle shops, to identify opportunities to work with them. Discussions focused on helping their members understand their obligations as liquor licence holders and ensure compliance with legislation. Specific areas for targeted education campaigns were identified. They included house rules, red-line plans, displaying correct signage, liquor licence conditions and, in some instances, language barriers.
- **Castello's Group** owns five gaming venues across Melbourne and employs over 400 staff. We met with their management to discuss gaming venue and liquor licence requirements.

Culturally diverse licensees

The Education team continued to ensure our information is accessible to licensees and communities from culturally diverse backgrounds. All existing translated documents on our dedicated 'Other languages' webpage were updated to incorporate changes to acceptable forms of identification, keeping them relevant and accurate.

Additionally, our packaged liquor self-paced guide, provided in Chinese and Vietnamese, was updated. This guide helps licensees of bottle shops and licensed supermarkets understand their legal obligations and was distributed via Vietnamese and Chinese trader association, including the Asian Business Association of Whitehorse and the Footscray Asian Business Association. It was also sent to the Master Grocers Association for distribution to their members.

The Education team will continue to publish translated resources to ensure support is provided to this important industry sector.

Producers' campaign

With a growing number of micro-breweries and the popularity of wineries, the Producers' campaign focused on raising awareness of producer obligations. The updated Producers' self-paced guide covers key regulatory requirements, such as attendance at markets and festivals, red-line areas and trading hours. The guide's design allows producers to ensure they work through it at their own pace and convenience. It can also be used as a training tool for employees to understand their responsibilities.

School leavers campaign

The School Leavers campaign (schoolies) focuses on the secondary supply of alcohol to minors. It includes targeted communications to licensees and liquor forum chairs in known schoolies locations.

Schoolies is a yearly event that can draw large crowds to licensed venues, however, due to the COVID-19 pandemic, crowds were limited and events were cancelled. With limits on patron numbers in licensed venues and other CHO Directions in place during this period, it was expected that gatherings would move to private homes. In response, we focused our schoolies campaign on packaged liquor licensees.

The Education team attended the annual School Leavers' Week Interagency Steering Committee meeting to discuss and communicate our approach to schoolies. We shared insights and approaches with stakeholders who work in and represent key schoolies areas. The team also met with Coles to discuss the plans they had in place for the schoolies period.

Sporting clubs campaign

In consultation with Community Clubs Victoria (CCV), we provided two articles for the CCV members' online magazine that has a reach of 800 members, partners and industry associations. The articles were aimed at sports clubs and provided information for committee members and staff to understand specific obligations relating to clubs, in addition to the growing list of resources available on our website.

Drink spiking posters

In consultation with Victoria Police and Stonnington Council, the Education team designed optional signage regarding drink spiking. The signage was for display at licensed premises to help encourage patrons alert staff of suspicious behaviour and to give staff guidance on best practices to prevent drink spiking. We promoted the signage through multiple communication channels, including liquor forums, our website and social media posts.

New licensees campaign

We have an ongoing campaign targeting licensees and managers who are new to the industry.

Within their first nine months of operation, new licensees receive two emails. The first email focuses on understanding liquor licence conditions and information about staff and volunteer obligations. The second email encourages licensees to complete two short quizzes, review the intoxication guidelines, download the multilingual poster, and contains information around monitoring events and functions.

In June 2021, we held a free online information session for new licensees. The focus of the session was to help licensees understand the rules and regulations for selling and supplying alcohol in a way that keeps their community safe. Topics included underage issues, intoxication, how to be inspection-ready and use of the liquor portal. It provided licensees with the opportunity to talk to our inspectors and members of the Education team as well as ask them questions. Twenty-seven new licensees participated from across Victoria.

After the session attendees completed a survey that showed 88 per cent found the experience very useful. They noted the session highlighted the changes they needed to make to their venues.

Street Talk by phone - pilot project

Given the COVID-19 pandemic, our Education team focused on engaging with licensees through the trial through a new pilot project, conducting the Street Talk program via telephone. In July 2021, an evaluation of the pilot helped inform ongoing communication with licensees.

The program targeted licensees in the central corridor of Victoria, who has been granted a temporary liquor licence allowing them to provide takeaway liquor or to deliver it.

The objectives of the program were to remind these licensees of the relevant liquor laws regarding the takeaway and delivery of liquor as per their new licence conditions and gauge their understanding of their legislative obligations. Licensees were advised of the resources and support available during the declared State of Emergency and the discussions helped the Education team get a clear understanding of each licensee's current operating model.

Licensees, the Education team spoke to, praised the VCGLR for quickly providing relevant COVID-19 information on our website, the fast turnaround of applications and the refund or waiver of renewal fees.

Ballarat Beer Festival 2021

In February 2021, the Education team turned its focus to the licensed stall holders at the Ballarat Beer Festival. Together with the Licensing Division and the Compliance Intelligence team, a targeted email was sent to stall holders who had been granted a temporary licence for the event.

The campaign culminated in a joint operation by inspectors and Victoria Police at the festival to conduct inspections to determine compliance. Discussions held with stall holders showed that those who had read the email were compliant with relevant legislation. Issues identified with other licensees were mainly administrative breaches, such as signage and expired RSA certificates.

Engagement through education

Our Education Strategy outlines the strategic approach to voluntary compliance through a proactive and targeted education program to ensure we are building the capability and knowledge base of licensees and stakeholders across the gambling and liquor industries and community groups.

Its objectives include changing non-compliant licensee behaviour, reducing the harms of the liquor and gambling industries and increasing voluntary compliance by licensees.

Our Education team uses our intelligence holdings and data to create targeted campaigns. Each campaign includes a range of tools and resources to meet its specific objective. In 2020-21, the team delivered campaigns for a range of liquor licence types, including bingo centre operators, gaming venue operators and licensees. The strong theme throughout each campaign was minors, intoxication and identification checks.

A key focus of our Education Strategy is consultation with industry and stakeholders. For most of the year, the Education team's engagement took place online, which created the opportunity for broader engagement across the gaming and liquor industries statewide.

Gambling campaign

The gambling campaign was extensive and focussed on the obligations of providers of gambling activities. These include venue operators, bingo providers, and those conducting minor gaming. The campaign components included:

- **Gaming Venue Checklist**

The Gaming Venue Checklist was launched in February 2021. It is aimed at helping venue operator and employees understand their regulatory obligations. The checklist covers a range of compliance areas, including the Responsible Gambling Code of Conduct and YourPlay. The tool is designed to be easy-to-use and help venues identify areas where they meet their obligations and areas that require further action.

- **RSG Codes of Conduct**

New Ministerial Directions regarding the RSG Code of Conduct was released in February 2020 and venue operators were given until 1 September 2020 to comply. Gaming venues were alerted to forthcoming inspections and were reminded of the new requirements to enable them to prepare. This campaign attracted interest from several industry peak bodies seeking clarification on key focus areas and the enforcement approach that was to be taken by inspectors. The interest in the campaign showed that industry was aware of the forthcoming changes and wanted to ensure compliance. CCV invited the Education team to meet with their members to help them understand their obligations, and what inspectors would be looking for.

- **YourPlay**

Venue operators have an obligation to promote, inform, and assist customers to participate in the YourPlay program, Victoria's voluntary pre-commitment system. Venue operators were reminded to ensure they had the minimum number of player cards available at their venues, which were valid and ready for use. The campaign launched this year will continue in 2021-22 with a focus on direct communications, social media, new resources, and updated website information.

- **Gambling Information Sessions**

The Education team held a series of online gambling information sessions to help gaming venues understand their obligations and remain compliant. With the focus on the new Responsible Gambling Codes of Conduct, YourPlay and explanation of our inspection processes, there was high attendance and strong engagement. Participants asked questions and there was a good exchange of information.

The information sessions will continue into the next financial year.

Case study: RSG code inspections for gambling industry

In March 2021, we worked on a project covering the RSG Code of Conduct obligations that were released in February 2020. We updated our inspection audits and inspectors received training to ensure they were fully cognisant of the new code requirements and able to provide education to industry.

We advised industry that inspectors would visit gaming venues to ensure they were compliant with their new obligations.. This notification gave venue operators time to ensure their code incorporated compliance strategies to prevent and minimise harm from gaming machines prior to inspectors visiting their venues.

Across the 71 inspections, we identified Responsible Gambling Officers were not present on gaming floors, registers did not contain information on the new code or relevant data, and possible issues regarding the offering of food and beverages. An educative approach was taken and we provided venues with guidance on how to become compliant with code requirements and best practice procedures.

From April to June, we conducted a further 101 inspections where venue operators were reminded to read and understand the new requirements, as published on our website, and to discuss them with venue staff.

Further implementing our risk-based approach

Being aware of risk is the key principle of our regulatory approach. It guides our decision-making, priorities and resource allocation as we discharge our statutory functions. Some of the key advances we made in embedding a risk-based approach to our work are outlined below.

Licensing

We continue to develop and implement tools and decision-making processes to deliver accurate and objective risk assessments.

These tools and processes are designed to enhance our capacity managing the risks that premises may pose and make better decisions about the regulation and supervision of high-risk licensed premises and regulated entities. For example, our risk-based approach to gambling and liquor applications ensures that staff have visibility of the risk profile of an application or a licensee and, as a result, apply the right level of due diligence to assessing each application.

We use three risk-based frameworks to support our licensing processes:

- the Risk-based Gambling Framework and the Risk-based Liquor Framework support the assessment and determination of licence applications and approvals
- the Risk-based Electronic Gaming Machine (EGM) Products Framework enables the efficient triaging of EGM product applications.

These frameworks have enabled us to increasingly dedicate our resources to medium and high-risk applications while also supporting the development of vibrant, responsible liquor and gaming industries by making efficient determinations on low-risk applications.

This is demonstrated by the average time it takes to finalise low-risk applications compared to medium and high-risk applications. In 2020-21, the average time it took to process low-risk liquor applications was 42.93 per cent faster than medium or high-risk applications. For gaming applications, low-risk applications were processed 42.15 per cent faster than medium or high-risk applications.

We will continue to monitor and refine our risk-based frameworks to ensure they remain effective for supporting our approach to regulation.

Compliance

We apply a risk-based, intelligence-led compliance model to identify, manage and mitigate risks related to the gambling and liquor industries. Our intent is to regulate entities according to the level of risk they pose to the Victorian community. The model uses internal and external intelligence holdings to determine high-harm risks, so that actions taken are commensurate to the risk.

This approach allows us to identify problematic venues requiring inspections, and, if necessary, investigations into their activities. One example of this process relates to a karaoke venue located in metropolitan Melbourne.

Through intelligence holdings, prior history, and local knowledge, we identified that the venue was non-compliant with its legislative obligations. We conducted inspections at the venue, which detected serious high-harm breaches. As a result of the non-compliance, we issued the venue with infringement notices for offences relating to permit drunken/disorderly person on licensed premises, supply liquor to an intoxicated person and licence breaches, ultimately leading to demerit points and suspension of its liquor licence as detailed in the case study on page 31 of this report.

A further example relates to another venue in the Melbourne CBD, where inspectors conducted discreet observations inside the venue due to intelligence on hand. During this time, they observed a patron displaying obvious signs of drunkenness who was not approached by venue staff in the vicinity. Inspectors further observed this patron being supplied with liquor while in a state of intoxication. An investigation is currently underway into this matter and appropriate enforcement action will be recommended.

We take matters of non-compliance seriously, particularly regarding high-harm offences. To mitigate the risk these licensees can pose to the community, we take appropriate enforcement action, to reinforce the requirement for industry to comply with relevant legislation.

Enhancing compliance risk-based tools

Grosvenor Report

We engaged Grosvenor Performance Group (Grosvenor) to conduct an evaluation of our risk-based approach in February 2020. The purpose of the evaluation was to measure the effectiveness of our approach and identify improvements for future delivery. The key recommendations arising from the final report were to improve data collection and review processes, internal communication and training about the risk-based approach.

We started a project to implement the key recommendations of the Grosvenor Report. Its outcomes include:

- the development of a comprehensive communications plan to reinforce the risk-based approach
- the development of new introductory training content for all staff and tailored training for operational staff
- the Licensing Division embedding a process to regularly and systematically review its risk-based approach, including associated tools
- the Compliance Division continuing development of its risk-based approach and intelligence capacity, including refining the data source used by its risk-prioritisation tool and developing data-driven tools to guide its focus in relation to gambling.

Building on the recommendations of the Grosvenor Report, the Compliance Division will renew focus on its risk prioritisation methodology to replace its current risk-prioritisation tool with a renewed model that incorporates both liquor and gaming sectors.

The new resource will be designed to incorporate additional data sources to identify harms and assess risks. Delivery of this tool will provide a significant macro-level risk assessment across the gambling and liquor sectors as well as provide greater opportunities to measure the Compliance Division's actions and their impacts on specific targeted harms.

In developing this tool, Compliance will seek input from all divisions within the organisation to draw on the full body of corporate knowledge and needs. This will ensure a holistic approach to targeting harm, including ensuring that key priorities are reflected in the operationalised models for prioritising risks.

Focus on harm minimisation

During the 2020-21 financial year, we adapted our operational activities to COVID-19 restrictions.

We operated under a revised operational model known as the Restricted Compliance Operations Model. This model enables inspections to be conducted in a safe manner that is compliant with CHO directions. It targets resources where they are most effective.

Although operational activities were impacted, regional and metropolitan inspectors actively conducted inspections when restrictions permitted. The revised model, along with intelligence holdings, enabled resources to be targeted appropriately and helped contribute to almost meeting the overall target of 8,500 inspections throughout Victoria. A total of 8,382 gambling and liquor inspections were conducted, with a further 428 approved liquor external observations undertaken (totalling 8,810).

When restrictions were in place throughout Melbourne CBD, and subsequently regional Victoria, we increased our focus on PH&W Act breaches. This helped ensure the safety of patrons, employees and employers in the hospitality industry, as well as the general community.

In response to a request from the DJCS, we also introduced our PHET with a mandate to focus on matters specifically related to the PH&W Act, including referrals from Victoria Police and the public.

High-risk inspections

To minimise the risk of harm that gambling and liquor industries pose to the community, we undertake inspections during high-risk times, which are between the hours of 10pm and 7am or during designated high-risk events. As a result of the COVID-19 pandemic, venues were closed for significant periods during the financial year and when open, many did not open during the timeframe we target. As a result, in 2020-21, just over seven per cent of inspections were conducted during high-risk times.

Even though there was a reduction in inspection numbers during high-risk times compared with previous years, inspectors still detected high-harm offences when venues were open during relevant timeframes. These included offences, such as the supply of liquor to intoxicated patrons and minors, permitting drunken/disorderly persons or minors on licensed premises, and licence condition breaches.

Breach-to-enforcement rate

The breach-to-enforcement rate measures the proportion of breaches that result in enforcement action being taken, including non-compliance notifications, disciplinary actions and prosecutions.

During 2020-21, this rate sat at 87 per cent, noting that some matters have not been finalised and are therefore not included in the final breach rate. These results are from across a range of breaches related to gambling and liquor activities.

Regional presence

Our regional hubs have been very effective in contributing to safer gambling and liquor industries in Victoria's regional areas since their establishment in 2018. Though the regions were heavily impacted by the COVID-19 pandemic and natural disasters, inspectors continued to operate under our modified operating model, which enabled them to conduct inspections in line with government restrictions. This resulted in 956 inspections, of which 123 were gambling and 833 were for liquor, and a further 50 for approved liquor external observations (totalling 1,006). Inspectors educated licensees to ensure they were aware of their obligations under the PH&W Act in periods when they were operating under COVID-19 restrictions. They also took appropriate enforcement action with non-compliant venues.

An example of this was the identification of a problematic venue in Sale where serious allegations of liquor breaches regarding intoxication and minors and criminal-related matters had been reported. Inspectors worked with Victoria Police by conducting inspections of this venue, where they detected issues related to intoxication, as well as licence and administrative breaches. Concerns were also raised about the licensee's management of the venue and understanding of relevant legislative obligations. We took appropriate enforcement action against the venue and prepared documentation to vary the venue's licence conditions, which is currently being negotiated. Following our work with Victoria Police, the licensee has been removed from the management of the venue and a new nominee put in place.

As restrictions eased, inspectors increased their stakeholder engagement, promoted our work and outcomes, and proactively moved to reinstate liquor forums in their areas. Having a regional presence has enabled us to better understand local issues and the landscape, and work in collaboration with other regulatory and enforcement partners. This strong working relationship between agencies has ensured effective regulation of the regional gambling and liquor industries.

In June 2021, we held a community Stakeholder Forum in Ararat, covering both the gaming and liquor industries. Stakeholder groups in attendance included representatives from Victoria Police, who were positive and supportive in their feedback about our engagement with them and the work conducted by our regional inspectors, in particular.

We received the following feedback from the Horsham Local Area Commander, Victoria Police:

"From the introduction of the Regional (Ararat) VCGLR office I have had exceptional support as the Horsham Liquor Licensing Inspector. The VCGLR team provided guidance and also an operational presence for joint operations which provided police members with a higher order awareness around the intricacies of the Liquor Control Reform Act and the Liquor Control Reform Regulations.

Together we have formed a collegiate relationship which has been the key to managing some venues which previously were not adhering to the standards required. VCGLR Inspectors have also attended the Horsham Licensing Accord meetings in a combined effort to reduce harm from alcohol related incidents. I will continue to work with the Ararat branch of the VCGLR and cannot speak highly enough of their current team members".

Major licensee monitoring and reporting

Major licensee oversight

In Victoria, there are five major gambling licences. Each licence has extensive regulatory requirements that we monitor assess and enforce. We manage these arrangements under a Major Licence Management Framework.

The Framework establishes an integrated licence administration function that facilitates efficient and effective management of the major gambling licences (and their related agreements) including:

- (Gaming Machine) Monitoring Licence (Intralot)
- Casino Licence (Crown Melbourne)
- Wagering and Betting Licence (Tabcorp)
- Public Lottery Licence (Tabcorp)
- Keno Licence (Tabcorp).

The framework is implemented with six broad objectives which are: stakeholder engagement, intelligence management, obligation monitoring, risk management, regulatory facilitation and vendor management. We conduct activities linked to each of the six objectives throughout the year.

The NSW Casino Inquiry, the Victorian Royal Commission and the review into Victoria's casino regulatory framework

On 14 August 2019, the Independent Liquor and Gaming Authority (ILGA) established an inquiry under section 143 of the Casino Control Act 1992 (NSW) to consider various matters relating to Crown Sydney Gaming Pty Ltd (Crown Sydney), including their suitability as the holder of the restricted gaming licence issued in NSW (the NSW Casino Inquiry). This inquiry, led by the Hon. Patricia Bergin, SC examined media allegations concerning Crown Resorts Pty Ltd (Crown Resorts) and its subsidiary companies. The allegations concerned potential money-laundering activities occurring at the Melbourne and Perth casinos, and Crown's alleged engagement with unsuitable junket entities.

We maintained close contact with the Bergin Inquiry and provided it with extensive information, including the draft final report of our investigation into the (then) draft final report of our investigation into the circumstances surrounding the arrest and imprisonment of the Crown staff in China.

On 9 February 2021, the Bergin Inquiry tabled its report in the NSW Parliament, which outlined its findings and recommendations (the Bergin Report). The report concluded Crown Resorts was an unsuitable associate, and Crown Sydney was unsuitable to continue as the holder of the restricted gaming licence. Following the release of the Bergin Report, the Victorian Government announced a Royal Commission into the Casino Operator and the Licence (Royal Commission), and a review of the current Victorian casino regulatory framework.

As the regulator of the Melbourne casino, we have closely monitored the outcomes of the NSW Casino Inquiry and continue to monitor and assist the Royal Commission, led by the Hon. Ray Finklestein QC. The Royal Commission is required to report on its findings and any recommendations to the Governor of Victoria no later than 15 October 2021.

Notwithstanding the outcome of the NSW Casino Inquiry and the progress of the Royal Commission, we continue our regulation of the Melbourne casino. We will consider the evidence and findings of the Royal Commission to determine whether we need to take further regulatory action.

We also continue to help the government's independent review of the current casino regulatory framework, which will advise on the structure and governance for a new independent, standalone casino regulator.

Both the Royal Commission and independent review have provided us with the opportunity to highlight some of the challenges we have faced as the regulator of the casino. These challenges include the confines of our legislative powers (including the difficulties caused by Crown's claims of legal professional privilege and other secrecy provisions hampering the ability of the regulator to access relevant information); Crown's failure to conduct itself openly

and transparently with the VCGLR and its decision to adopt an aggressive approach to the regulator; as well as the need for us to adopt a risk-based regulatory model to manage and prioritise limited regulatory resources.

We have also highlighted a variety of legislative and regulatory changes that would enhance casino regulation in Victoria.

On 3 August 2021, the government announced that it will establish a Victorian Gambling and Casino Control Commission (VGCCC). Further information about the VGCCC is available on the Victorian government website.

Disciplinary action against Crown

This year, we completed our investigation into junket operations at the Melbourne casino. In July 2019, media reports alleged that Crown engaged with certain junket entities that had criminal backgrounds or were unsuitable for other reasons. After investigating these allegations, we issued a notice to the Melbourne casino under section 20 of the CC Act to show cause why disciplinary action should not be taken for breaching their approved internal control statements, which, among other things, required Crown to implement a robust process to ensure the ongoing probity of junket entities.

We received submissions from the Melbourne casino and a hearing was conducted to consider the matter. On 28 April 2021, we determined that a ground for disciplinary action against Crown Melbourne existed and took disciplinary action by issuing a fine of \$1 million (the maximum available under the CC Act). We also issued a letter of censure containing directions that:

- that prohibit Crown from recommencing junket operations at the Melbourne casino until Crown until it receives our approval to recommence such operations
- that require the Melbourne casino to provide us with monthly reports on the progress of implementing its reform agenda.

Crown has since provided evidence to the Royal Commission that it does not intend to recommence junket operations at the Melbourne casino in the foreseeable future. We will continue to monitor its implementation of the reform agenda, as well as the various responsible gambling initiatives that were proposed by Crown.

China investigation

In February 2021, we also concluded our investigation into the conviction and sentencing of Crown employees in China. This investigation commenced in 2016, after we became aware of Crown staff being detained in China for allegedly breaching Chinese laws in relation to the promotion of gambling.

This investigation was extremely challenging and resource-intensive, with additional hurdles introduced by the recalcitrant nature of Crown's engagement with us. We produced a final report and submitted it to the Minister for Consumer Affairs, Gaming and Liquor Regulation in February 2021. The final report was also tabled to the Royal Commission and was the subject of evidence given by one of our inspectors. A copy of the report is available on the Royal Commission's website.

As indicated in the findings of the report, our investigation highlighted the failures by Crown, and in its risk-management frameworks and procedures, that led to the arrests.

As the Royal Commission was announced shortly after we provided our report to the minister and was tasked with examining the suitability of Crown as the casino operator in Victoria, we determined it appropriate to defer the proposed regulatory actions arising from the investigation until the after the Royal Commission tables its report.

Reviewing and amending approved internal controls

We commenced work to amend Crown's internal control statements (ICS) approved under section 121 of the CC Act, to minimise further risks associated with criminal influence and exploitation at the Melbourne casino, as well as improve the overall application of their ICSs. This work followed from a previous review of the ICSs by an independent expert we engaged, and issues identified during the NSW Casino Inquiry and our own investigation into Crown's junket operations. As part of the work to amend the ICSs in line with the recommendations of the review, we consulted with Crown and other stakeholders, including the Australian Transactions and Reports Analysis Centre (AUSTRAC).

While we have approved a number of revised ICSs, work continues to review and amend other ICSs. It should also be noted that we closely monitored the evidence at the Royal Commission, noting that the findings and outcomes may impact whether further amendments to other ICSs are required.

Update on implementation of casino review recommendations

In July 2018, we delivered the Sixth Review of the Casino Operator and Licence (the Review). This kind of review is conducted at least every five years and is part of our ongoing regulatory oversight of the Melbourne casino. The CC Act requires that we investigate and form opinions about key matters, such as the casino operator's suitability and compliance with gambling laws.

The Review, which was submitted to the Minister, made 20 recommendations, each with a due date. The recommendations aim to ensure Crown adheres to best practice in areas including:

- corporate governance and risk
- regulatory compliance
- responsible gambling
- money laundering.

Details relating to each of these recommendations (and the respective due dates) are outlined in their Review, which is available on our website. Since the release of the Review, the Commission has assessed Crown's implementation of each of the 20 recommendations as they fall due.

VCGLR in the media

Throughout 2020-21, the media continued to focus their attention on our role as the regulator of Crown Melbourne with Royal Commissions and inquiries in different states, each examining the suitability of Crown Resorts to hold its casino licence, allegations of money laundering and the connection with the arrest and detention of Crown China staff in 2016.

Critical commentary and headlines questioned our credibility and authority as a regulator. However it was pleasing to see some media outlets balance the narrative referencing us in the context of the NSW ILGA Inquiry report with Commissioner Bergin, shedding light on the intricacies of how we work together with other regulators and law enforcement agencies in different jurisdictions to address issues such as money laundering and the specific roles and responsibilities of each agency.

In December, we decided to bring forward the Seventh Casino Review. We commenced the significant work required to establish the Review, including seeking appropriate funding and recruiting key positions in the review team.

Following Victorian Government's announcement in February to establish the Royal Commission into the Casino Operator and Licence, we deferred the start of the review. The decision was based on our recognition that the powers and resources of a Royal Commission are significantly greater than those available to us through the review process under the CC Act.

We will continue to proactively work with the media to share our work such as the Crown China Investigation Report, such as the February 2021 Crown China Investigation Report, which was the subject of evidence given by one of our inspectors to the Victorian Royal Commission. A copy of the Report is now available on the Royal Commission's website.

Throughout 2020-21, we also issued a range of media releases highlighting education initiatives, significant disciplinary action, prosecution outcomes and providing updates on our investigations coinciding with evidence revealed throughout the NSW Bergin Inquiry.

VCGLR Media Releases 2020-21

Crown Casino/Crown Resorts

- Crown issued \$1 million fine for junket conduct
- VCGLR demands explanation from Crown, Associates
- VCGLR update on NSW Inquiry into Crown Resorts
- VCGLR notified of former Crown Directors' resignations, continues Mitchell review

Prosecution outcomes

- Deficient systems in checking age lands Tabcorp with a \$23,000 fine and betting venues in hot water
- Strategic operation uncovers bingo centre breaches
- Landmark prosecution against bingo centre operator
- Gentlemen's club slapped with \$5000 fine and manager barred
- Bairnsdale licensee pays the price for under 18s on premises
- Unlicensed sale of alcohol lands manager with two-year good behaviour bond

Royal Commissions

- VCGLR welcomes release of Bergin Inquiry report
- Seventh Casino Review postponed due to Royal Commission

Disciplinary action

- VCGLR suspends liquor licence for non-compliance

Education initiatives

- Minors with fake ID will be targeted by regional venues as industry reopens

Coronavirus (COVID-19)

VCGLR industry response

We supported the implementation of State Government measures by:

- streamlining processes for temporary limited licence applications to be finalised within three business days
- automatically waiving 2021 liquor licence and BYO permit renewal fees for all licensees except those holding a packaged liquor licence
- deferring electronic gaming machine taxes for certain months, especially for March 2020
- modifying tax collection timelines during the State of Emergency and postponing 2018-19 supervision charges for gaming venue operators
- continuing virtual classroom delivery of RSA training by approved RTOs.

Since the State of Emergency was declared on 16 March 2020, a number of inspectors were made authorised officers under the PH&W Act. We delivered training to our authorised officers to ensure adherence with the directions made under the PH&W Act.

In response to CHO Directions and state restrictions, we also worked with the DJCS, Victoria Police, DHHS and WorkSafe to educate and support the hospitality industry, and help workplaces monitor compliance with and enforcement of directions by the Victorian Deputy Chief Health Officer under a formal Memorandum of Understanding (MOU). Our inspectors were authorised under the PH&W Act to support these efforts in a joint agency collaborative approach.

To assist with managing our response to the COVID-19 pandemic, a Public Health Enforcement Team (PHET) was also introduced for a fixed period to conduct inspections and manage breaches under the PH&W Act. This team works in conjunction with the Victorian Government's Industries Engagement and Enforcement Operation team, the overarching committee responsible for public health issues, which comprises representatives from a number of

government agencies.

We continue to provide information to industry via our website and social media channels and have implemented a range of other online support services including virtual education phone sessions, and gambling and liquor community stakeholder forums. Since March 2020, over 23,000 people have visited our dedicated coronavirus (COVID-19) information for licensees web page.

Temporary limited licences

Takeaway and home delivery

In March 2020, we introduced a takeaway and home delivery policy for licensees unable to provide liquor to be consumed on premises due to COVID-19 restrictions. Under this policy, existing licensees were eligible to apply for a temporary limited licence to authorise the supply of liquor in limited quantities for takeaway and home delivery.

We granted a total of 2,292 temporary limited licences between March and June 2020, and 709 between July 2020 and June 2021.

Outdoor areas

In September 2020, as part of a wider government initiative to support outdoor dining as COVID-19 restrictions eased, we released two outdoor area COVID-19 temporary policies. One policy enabled licensees to apply for a temporary limited licence to authorise the supply of liquor for seated consumption in public outdoor areas, such as footpaths and kerbsides. The other policy was in relation to privately-owned outdoor areas, such as privately-owned carparks. Applications under these temporary policies were processed within three business days.

During 2020-21 we granted 1,666 temporary limited licences for outdoor areas. Of those, 950 were for public outdoor areas, and 716 for privately-owned outdoor areas.

As restrictions eased further in December 2020, we released a COVID-19 temporary policy regarding the supply of liquor for non-seated consumption in outdoor areas. Due to the greater amenity and alcohol-related risks associated with non-seated consumption, applications for these types of temporary limited licences were not processed within three days. That is because they were required to be publicly displayed and the applications were provided to Victoria Police for comment. In 2020-21, we granted two temporary limited liquor licences that authorised the supply of liquor for non-seated consumption in outdoor areas.

Waiver and renewal of 2021 liquor licence and BYO permit renewal fees

Each year, licensees and permittees are required to pay an annual renewal fee for their liquor licence or BYO permit. In response to the COVID-19 State of Emergency, the Victorian Premier announced an economic survival package to support businesses and jobs. This package included the waiving of 2021 liquor licence and permit renewal fees for all but packaged liquor licensees.

Packaged liquor licence holders were required to pay their annual renewal fee as they have been permitted to trade throughout the COVID-19 pandemic.

As at 30 June 2021, we had waived renewal fees for 21,465 liquor licences and BYO permits. The total of the fees waived is \$21,332,287.73.

VCGLR staff support

Our People and Culture team helped develop and implement pandemic-specific policies and procedures in accordance with public health directions. These policies and procedures helped us ensure business continuity by enabling staff to work from home where reasonable, practical and appropriate, undertaking essential tasks within the office or conducting community-based compliance activities within a COVIDSafe environment.

Advice was provided across the organisation to ensure compliance with workplace flexibility and occupational health and safety for both, working from home and returning to the office. Staff were also advised on their entitlements during lockdown, remote learning periods and we ensured a focus on mental health by enacting online mental health and wellbeing sessions.

We used our internal audit program to conduct a review of our response to the COVID-19 pandemic from an occupational health and safety perspective to ensure we were fully compliant with CHO Directions.

Process improvement

To support staff working from home during the pandemic, we:

- loaned ICT equipment to staff to facilitate working from home
- provided a remote Service Desk capability
- upgraded our backend ICT systems and servers to deliver enhanced remote connectivity to all staff
- implemented Microsoft Teams.

These initiatives have increased the efficiency of internal processes and service provision through improvements in our digital technology. This was pertinent given the changing environment due to the COVID-19 pandemic and the increased use of virtual technology.

Responding to our Corporate Plan

Our Corporate Plan 2020–23 measures the organisation’s success through key performance indicators (KPIs), with targets focused on four priorities. The Corporate Plan is developed internally and endorsed by the Executive and Commission to drive the strategic direction of the organisation.

The 2020–23 Corporate Plan sets out four strategic priorities:

- 1 Be an influential regulator
- 2 Apply responsive regulatory practice
- 3 Enhance the user experience
- 4 Build and maintain a sustainable organisation

Be an influential regulator

Engagement with community, industry and co-regulators continues to be a priority across the organisation to strengthen collaboration, transparency and access to information to help inform our regulatory decisions and ensure the development of new and updated resources for industry.

Working with partners

Interjurisdictional collaboration

Throughout the year, we worked with other jurisdictions, including Commonwealth agencies, to share knowledge and collaborate on our key functions.

We entered into a MOU with the Australian Transaction Reports and Analysis Centre (AUSTRAC), which provides us with the opportunity, subject to the application of the relevant Commonwealth secrecy provisions, to access certain AUSTRAC information. We may further refer intelligence to AUSTRAC regarding suspected money laundering or suspicious matters observed at the casino.

Recently, we have engaged with AUSTRAC on proposed improvements to Crown’s ICSs. We have also entered into an information sharing Heads of Agreement with the Australian Criminal Intelligence Commission in order to facilitate more effective information sharing.

AUSTRAC has also established the Gaming Regulators Conference to promote information sharing between participants and to identify and manage shared risks.

We regularly share information to achieve optimal outcomes, such as where a product requires approval across multiple jurisdictions (e.g. EGM games). We attend various regulatory forums and conferences, including the Compliance Managers Inter-Jurisdictional Regulators Conference, where senior compliance officials from various jurisdictions discuss matters relating to compliance and enforcement.

National Standards Working Party

Since 2020, we have chaired the National Standards Working Party (NSWP). The NSWP is comprised of operational and policy staff of each gaming regulator in Australia and New Zealand and meets regularly to discuss the suitability of technical standards for EGMS and related matters.

During the last 12 months, the NSWP has:

- progressed a review of the Gaming Machine National Standards 2016 (GMNS), the first such review in five years. The GMNS provides guidance to manufacturers for the design of gaming machines, game software and related equipment, and provides a testable standard to ensure that common regulatory requirements will be met
- begun to consider options to create a harmonised set of EGM technical standards, noting each jurisdiction ordinarily has separate standards that only apply to that jurisdiction, over and above the GMNS
- begun to consider options to improve the GMNS in relation to harm minimisation policies, such as a prohibition on losses disguised as a win.

The review of the GMNS sought to address the ongoing suitability of its contents in relation to known deficiencies regarding technical requirements and standards. Key proposed changes include:

- amendments to gaming machine software verification, compilation and reproducibility
- changes to accommodate cryptographically secure random number generators
- changes related to a gaming machine's compliance with electrical and emissions standards
- additional requirements for the technical assessment of skill-based elements in gaming machines
- general amendments to the requirements in relation to gaming machine artwork, wording and game information display.

The draft GMNS was endorsed by the CEOs of each jurisdiction represented in the NSW at the CEO Regulators Forum on 1 June 2021. We will now engage with Victorian stakeholders on the revised GMNS and seek approval of the GMNS from the Minister for Consumer Affairs, Gaming and Liquor Regulation.

The NSW will now commence phase 2 of the GMNS review. This phase will seek to harmonise it by addressing disparate requirements that exist in jurisdictional-based standards and appendices. It will also consider introducing more harm-minimisation measures to the GMNS.

Working with other agencies

We have MOUs with various organisations for a range of purposes, and we work collaboratively and share information with many entities in accordance with legislative provisions. Our information-sharing agreements, MOUs and partnerships cover:

- All Australian gambling regulators
- Australian Beverages Advertising Code
- AUSTRAC
- Consumer Affairs Victoria
- Cross Border Commissioner
- DJCS
- Emergency Services Telecommunications Authority
- Fines Victoria
- Inter-agency partnership relating to Chief Health Officer Directions
- Racing Integrity Commissioner
- Singapore Casino Regulation Authority
- State Revenue Office
- VicRoads
- Victoria Police
- Victorian Responsible Gambling Foundation.

We also started negotiations to develop an MOU with the UK Gambling Commission to enhance cooperation between the two regulators.

Community Stakeholder Forums

Community Stakeholder Forums provide networking and knowledge-exchange opportunities between community organisations and ourselves. Chaired by our deputy chairs, the forums are held twice a year for both liquor and gambling matters. They provide an opportunity for stakeholders to share information about projects and initiatives and to learn from each other.

We delivered the forums via video conferencing in October 2020 and May 2021, with a combined total of 96 participants. Small Business Victoria presented at the liquor forum in May about the impacts of COVID-19 on small business, and about products and services available to them. One of our Compliance inspectors updated attendees at the gambling forum about the audit of the Gaming Venue Codes of Conduct.

On Tuesday 22 June 2021, the first combined liquor and gambling Community Stakeholder Forum was held in Ararat.

Representatives from organisations such as Victoria Police, Grampians Community Health, Gambler's Help, Child and Family Services Ballarat (CAFS) and Anglicare heard from our CEO, Commissioners and the regional Compliance Manager. They were given the opportunity to provide updates on behalf of their organisations. Our Inspectors based in Ararat spoke about the current focus of their work in the region, particularly the work being undertaken with Victoria Police. The forum resulted in great discussion and exchange of information. Survey results showed all attendees would be extremely likely to attend another Community Stakeholder Forum in Ararat.

Liquor forums and accords

Due to COVID-19 restrictions liquor forums were cancelled, however, we invited liquor forum chairs from metropolitan and regional Victoria to an online information session.

The chairs shared their experiences, learned how other forums are facilitated and provided feedback on how we could further support their forums to educate and remind licensees of their obligations, and promote best practice.

Feedback showed participants found it beneficial to hear what other forums were doing and a good networking opportunity. It helped participants identify opportunities for improvement, and what tools and resources are available to help chairs deliver more effective and engaging forums.

In addition to the online information session, we continued to support liquor forums by contacting chairs directly to provide key information, respond to queries and gain an understanding of the forum members' issues and challenges.

Liquor forums may be formalised with the establishment of a liquor accord, a written document that sets out specific aims, actions, objectives and strategies to address local alcohol-related problems. We must approve an accord, along with Victoria Police, for it to become established.

There are currently 61 approved accords, two of which were revised and re-submitted to us for approval in 2020-21

Apply a responsive regulatory practice

Our Corporate Plan for 2020-23 details our objective to be a regulator that is responsive to industry innovation, adapts its regulatory practice to respond to emerging business models and products, and uses data and evidence to guide our decision-making.

Approval of Live Trial Framework for use in relation to Gaming Machines

Consistent with this objective, we have developed a conditional approval framework, referred to as the Live Trial Framework (LTF), to support the introduction of innovation in new EGMs via the enhanced live trialling of EGMs and EGM games. EGMs and EGM games that challenge regulatory approval process, present new innovations or may not yet be subject to a body of research, will be able to be trialled via conditional approval. The controlled trial of the EGM or EGM game will enable the collection of information on the product's operation that will assist with a further assessment of the product's suitability for ongoing approval.

The LTF, comparable to a regulatory sandbox utilised in other jurisdictions and consistent with current approval practices and legislative requirements in Victoria, will:

- balance the VCGLR's interest in innovation in relation to EGMs and EGM games, while looking to minimise any potential for player harm
- provide EGM manufacturers with an avenue to trial innovative EGMs and EGM games in Victoria, in a scalable manner that is not overly complex and rigid in its approach
- provide for the gathering of information (qualitative and quantitative) to inform a more thorough assessment of a product's suitability after the trial period
- help drive a structured and consistent approach to live trialling and gathering of research to inform further assessment of new and innovative EGMs and EGM games.

The LTF includes:

- general operational conditions outlining the minimum requirements of the trial, which will help ensure the trial provides a useful outcome. This includes the trial location to ensure suitable exposure to the trial product, both across the state and within the trial venues, the length of the trial period and the importance of general player observation when players are engaging with the game being trialled.
- qualitative data that captures player intelligence (via player surveys) to inform assessments of players' view of game performance, and its potential for harm. Player surveys will form a vital part of the LTF.
- quantitative data that may be captured from the EGM and/or the central monitoring system to highlight both the EGM's performance in isolation and when compared to a similar or new EGMs in the trial environment. This will allow benchmarking of the EGM's performance to detect the level of player engagement and player loss/turnover.

The LTF, available on our website, was developed in consultation with the Victorian Responsible Gambling Foundation, the DJCS and EGM manufacturers. Our website also publishes details of all EGM live trials approved under the LTF.

In line with the Live Trial Framework, in early 2021, the Commission approved the EGM game titled 'Mega Match: Jelly Kingdom' manufactured by Wymac Gaming Solutions Pty Ltd for a 120-day trial period, subject to a list of trial conditions. The Jelly Kingdom game allows players to choose between a skill and chance-based feature, once this aspect of the game has been randomly triggered.

Prior to the commencement of the live trial the EGM manufacturer is required to submit a Live Trial Plan (LTP) for our endorsement. The LTP will provide details of the EGM trial to be implemented by Wymac. It will also help us ensure that the trial plan meets all the conditions of the EGM game approval.

The trial of the Jelly Kingdom game commenced in August 2021.

At the trial's conclusion, we will re-assess the game, taking the trial data into consideration. We will then determine the game's suitability to operate without conditions in Victorian hotels and clubs.

Criminal background checks for gaming employees

As a condition of their licence, gaming employees are obligated to report to us where they have been found guilty of an offence or been involved in proceedings leading to a diversion.

In May 2020, we signed a three-year agreement with Victoria Police for continual criminal background checking of licensed gaming employees and applicants.

As part of the agreement, each week Victoria Police carries out a criminal background check of close to 30,000 licensed gaming employees and applicants and reports the results to the VCGLR. These weekly checks help us assess the suitability of new gaming employee applicants. They also enable us to track charges and court outcomes for licensed gaming employees so we can determine whether we need to take disciplinary action against such employees either for failing to notify us or due to the nature of their offence.

The agreement plays a critical role in ensuring that only suitable people continue to be licensed.

Since the commencement of this initiative, we have taken disciplinary action against 76 gaming employees. An additional 14 gaming employees surrendered their licences following the issue of show cause notices, before disciplinary action commenced.

The tracking of charges laid against gaming employees has identified a total of 36 individual gaming employees charged with relevant offences that led to the suspension of their licences until the charges are dealt with by the relevant courts.

Monitoring sports controlling bodies

An organisation may apply to the Commission for approval as the SCB for a sports betting event. If approved, the organisation must continue to oversee the sport and ensure that any betting events are conducted with integrity.

To support this, betting service providers must not take bets on a SCB's sports betting event unless the sports betting provider enters into an agreement with the SCB. Such agreements provide for the provision of relevant betting information to the SCB as well as a product fee. The information and the product fee are intended to support the ongoing efforts of the SCB to ensure the sports betting event is conducted with integrity.

Once an SCB is approved, we continue to oversee the ongoing effectiveness and suitability of the SCB by:

- assessing regular and ad hoc reports required from SCBs
- media monitoring
- regularly reviewing the approval of each SCB.

Our role is not to investigate individual breaches of sporting rules and codes, but to assess the effectiveness of the SCB in overseeing the integrity of its sport.

During 2020-21, we engaged with all SCBs, provided clarity and education on reporting requirements, and assessed all reports received from SCBs and sought further information as required.

Enhance the user experience

Strengthening technology and digital services

eLicence

Throughout 2020-21, we have worked to transition licensees and permittees to manage their liquor licence or BYO permit digitally by registering for eLicence via our Liquor Portal.

By registering for an eLicence, licensees and permittees can:

- print a copy of their liquor licence or BYO permit at any time
- download their renewal notice
- access a copy of their red-line plan
- make applications online to add or remove a nominee or director or transfer their liquor licence or BYO permit.

As at 30 June 2021, 19,738 of 24,545 (80.4 per cent) of permanent licences or permits were registered for eLicence compared to 13,819 last year, representing a 21.6 per cent increase in eLicence registrations for 2020-21.

RSA Train-the-Trainer and Responsible Service of Alcohol training delivered by video conference

We conduct the RSA 'Train-the-Trainer' course to provide newly accredited RSA trainers with an understanding of the legislation, skills and knowledge required to deliver our approved RSA course.

In 2020-21, we awarded 11 new trainers with their RSA 'VCGLR Train-the-Trainer' certificate. With the introduction of the nationally accredited RSA course, RTOs will need to ensure their trainers meet the requirements of this course and those of the relevant training authority.

Video conferencing was an approved delivery model for RSA training during the year. It was approved in the last financial year to help RTOs conduct training during COVID-19 restrictions. The use of video conferencing did not necessitate any changes to RSA training requirements, and guidelines were provided to RTOs.

To monitor the quality of the training, our Compliance Division's Education team observed several sessions to ensure key aspects of the course, such as role plays, videos and the final assessment, were included. RTOs found the move to virtual sessions positive in times of restrictions and it improved attendance rates from regional areas.

Improved digital tools

The 2020-23 Communications and Engagement Framework sets the overall approach and tone of communications and engagement for the organisation. It outlines a more accessible, cohesive and consistent communications practice across our digital channels, including website and stakeholder or licensee portals. The Framework is supported by key strategies that drive improvements in visual design and Web Content Accessibility Guidelines 2.0 compliant digital communications.

Enhance regulation through education

This project identified new initiatives to make it easier for licensees to comply with their legislative obligations, with a focus on online digital tools.

We engaged with internal and external stakeholders, including regulators across Australia. This resulted in a series of recommendations to guide our implementation of the new initiatives, once they were endorsed by the Executive group.

The approved recommendations will form part of the education program over the next two years. They align with our education strategy goals and objectives to:

- implement relevant elements of our regulatory approach in regard to harm minimisation and efficiency
- ensure licensees understand their obligations
- encourage voluntary and proactive compliance
- build and maintain effective partnerships
- build and maintain organisational capability.

Build and maintain a sustainable organisation

Workforce Strategy 2020-23

This year saw the release of our second Workforce Strategy with specific objectives to enhance the organisation's leadership capability and culture.

The strategy is made up of thematic key actions to develop a flexible, capable, talented and highly functioning workforce, ready to adapt to current and future challenges.

Leadership, capability and culture are the key themes that inform the objectives in the Workforce Strategy. These will help us grow and mature as an organisation by emphasising leadership and encouraging ongoing professional development to enhance both individual capability and the

capability of the entire organisation. These themes will also help ensure we have a diverse, balanced and inclusive workforce.

This year, the strategy has delivered mental health awareness training across the organisation, together with the introduction of Mental Health First Aid Officers; a leadership program for all staff with management responsibilities; the roll-out of training for all staff on the Victorian Charter of Human Rights; and the commencement of the development of our Gender Equality Policy and guidelines, for launch later in the year.

ICT Strategy

In 2019, ICT commenced the implementation of the ICT Strategy (2019-23) with a focus on:

- using technology to improve the ability of the Victorian community to access our services
- improving our cyber security posture through increased organisational awareness and uplifted infrastructure
- expanding the use of technology to deliver mobility solutions
- increasing our ability to be a contemporary regulator through improvements in business intelligence abilities.

In delivering Years 1 and 2 of the strategy, the majority of our applications are now processed online. We are now also compliant with relevant Victorian Protective Data Security Standards requirements, by increasing our cyber security posture, delivering a broader range of mobility solutions, and implementing a business intelligence capability to support our risk based approach to compliance.

In Year 3 of the strategy, ICT will implement legislative and business requirements that impact our corporate applications, continue to strengthen cyber security, evolve our business intelligence capability and provide applications able to deliver mobility outcomes.



Appendices



Appendices

Appendix One – Disclosure Index

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

Ministerial Directions & Financial Reporting Directions

Report of operations		Page
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	8
FRD 22H	Purpose, functions, powers and duties	8
FRD 8D	Departmental objectives, indicators and outputs	20–53
FRD 22H	Key initiatives and projects	20–53
FRD 22H	Nature and range of services provided	12–19
Management and structure		
FRD 22H	Organisational structure	12
Financial and other information		
FRD 8D	Performance against output performance measures	24–26
FRD 8D	Budget portfolio outcomes	25
FRD 10A	Disclosure index	56–57
FRD 12B	Disclosure of major contracts	86
FRD 15D	Executive officer disclosures	146–147
FRD 22H	Employment and conduct principles	83
FRD 22H	Occupational health and safety policy	81
FRD 22H	Summary of the financial results for the year	101–103
FRD 22H	Significant changes in financial position during the year	121–122
FRD 22H	Major changes or factors affecting performance	148–149
FRD 22H	Subsequent events	148–149
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	81–83
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	87
FRD 22H	Statement on Competition Neutrality Policy	87

FRD 22H	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	86
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	87
FRD 22H	Details of consultancies over \$10,000	85
FRD 22H	Details of consultancies under \$10,000	86
FRD 22H	Disclosure of government advertising expenditure	85
FRD 22H	Disclosure of ICT expenditure	86
FRD 22H	Statement of availability of other information	91
FRD 24C	Reporting of office-based environmental impacts	89–90
FRD 25D	Local Jobs First	88
FRD 29C	Workforce Data disclosures	84–85
SD 5.2	Specific requirements under Standing Direction 5.2	78
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	79
SD 5.2.3	Declaration in report of operations	131–135
Financial statements		
Declaration		
SD 5.2.2	Declaration in financial statements	96
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	97, 104
SD 5.2.1(a)	Compliance with Ministerial Directions	58, 145
SD 5.2.1(b)	Compliance with Model Financial Report	96, 104
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9B	Departmental Disclosure of Administered Assets and Liabilities by Activity	117
FRD 11A	Disclosure of Ex gratia Expenses	145
FRD 13	Disclosure of Parliamentary Appropriations	117
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	145

Appendix Two – Ministerial Directions and regulatory requirements

Ministerial Directions, determinations and approvals are issued by the relevant Minister and published in the Government Gazette. These documents establish the rules or requirements in relation to gambling and liquor licensing in Victoria that we consider when making decisions.

There were no Ministerial Directions and other requirements made during the year.

All Ministerial Directions can be found on our website.

Table 7 – Electronic gaming machine limits imposed by Ministerial Direction and regulatory requirements as at 30 June 2021 compared with 30 June 2020, 30 June 2019 and 30 June 2018.

	Number				Percentage			
	2018	2019	2020	2021	2018	2019	2020	2021
Gaming machine entitlement limits imposed by section 3.4 A.5 of <i>Gambling Regulation Act</i>	27,372	27,372	27,372	27,372	100	100	100	100
Allocated to venue operators	26,944	26,944	26,922	26,915	98.44	98.44	98.36	98.33
Number of gaming machine entitlements attached to an approved venue	26,520	26,600	26,579	26,560	96.89	97.18	97.10	97.03
Gaming machine entitlements inside/outside the Melbourne Statistical Division (MSD)								
Minimum outside MSD	5,474	5,474	5,474	5,474	20	20	20	20
Maximum inside MSD	21,898	21,898	21,898	21,898	80	80	80	80
Current outside	7,835	7,838	7,846	7,837	28.62	28.63	28.66	28.63
Current inside	19,399	19,396	19,388	19,397	70.87	70.86	70.83	70.86
Number of gaming machine entitlements								
Venue condition 'Hotel'	13,686	13,686	13,686	13,686	50	50	50	50
Venue condition 'Club'	13,550	13,550	13,550	13,550	49.5	49.5	49.5	49.5
Number of gaming machine entitlements attached to an approved venue								
Venue condition 'Hotel'	13,611	13,650	13,609	13,580	49.73	49.87	49.72	49.61
Venue condition 'Club'	12,909	12,950	12,970	12,980	47.16	47.31	47.39	47.42

Appendix Three – Additional information

Information available on our website includes:

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

Appendix Four – Gambling licensing-related activity

Employee licensing

We issued 1,891 new licences and renewed 776 licences for gaming industry employees, casino special employees and bookmakers' key employees in 2020–21. There were 27,910 active licences at 30 June 2021, compared to 29,430 at 30 June 2020.

Table 8 – Number of active gambling employee licences and registrations at 30 June 2020

Category	2016-17	2017-18	2018-19	2019-20	2020-21
Casino special employees	4,421	4,556	4,603	4,663	4,310
Gaming industry employees	27,863	27,024	26,231	24,527	23,483
Bookmakers' key employees	226	234	246	240	117
Total	32,510	31,814	31,080	29,430	27,910

Minor gaming

In 2020–21, we declared 485 applicants as community and charitable organisations. We also confirmed 966 applications from organisations seeking to renew their status, enabling them to conduct community and charitable gaming fundraising activities.

We issued 565 permits for other minor gaming activities, such as holding raffles and fundraising events, and lucky envelopes to be sold.

Commercial licensing

We undertook 1,422 assessments relating to the structure, probity and financial status of participants involved in the Melbourne casino, as well as other parts of the gaming and the 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.

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 55 applications for the transfer of gaming machine entitlements and amendments to gaming machine entitlement conditions.

Gambling products

We determined 152 changes to the electronic systems and equipment that underpin lotteries, casino gaming, Keno, gaming machine monitoring, and wagering and betting. Some of these changes improved system efficiency, while others supported the introduction of new or amended gambling products.

Since December 2015, we have also been responsible for assessing any changes to Intralot's electronic monitoring system to ensure it can facilitate the state-wide pre-commitment system, YourPlay. In 2020–21, one approval was determined in relation to modifications to the YourPlay system.

We also determined applications for approval from manufacturers and suppliers for 178 new games or gaming machines, and 369 variations to existing games or gaming machines. These applications covered games and gaming machines to be supplied to the Melbourne casino and other gaming venues.

Ongoing monitoring

In 2020–21, we took disciplinary action against four venue operator licensees and one bingo centre operator licensee. We also took action against 68 gaming industry employee and eight casino special employee licensees.

Sports betting and other approved betting events

In Victoria, the wagering and betting provider, Tabcorp, must only take bets on racing products or on betting events that we have approved. During the year, we did not receive or consider any applications to approve a new event for betting purposes.

No new sports controlling body (SCB) was approved in 2020. As of 30 June 2021, there were 12 approved SCBs.

Gaming machine entitlements

We manage the attachment, amendment, transfer, payment and extension of relevant holding periods relating to gaming machine entitlements. In 2020–21, we determined:

- five applications for the amendment of the geographic conditions attached to current entitlements relating to 27 hotel entitlements and eight club entitlements, all of which were granted
- two applications for the amendment of the geographic conditions attached to post-2022 entitlements relating to 15 hotel entitlements, both of which were granted
- 27 applications for the transfer of current entitlements, relating to 806 hotel entitlements and 226 club entitlements, all of which were granted
- 21 applications for the transfer of post 2022 entitlements, relating to 742 hotel entitlements and 213 club entitlements, all of which were granted
- 34 applications to extend the entitlement holding period, all of which were granted.

As of 30 June 2021, 250 entitlements, 181 club entitlements and 69 hotel entitlements were subject to holding-period provisions. We have extended holding periods for these entitlements on application by entitlement holders. Venue operators holding an entitlement must commence gaming under that entitlement within the relevant holding period.

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

From 16 February 2013 (being the first date in which entitlements could be forfeited) until 30 June 2020, there were a total of 487 forfeited entitlements. In the financial year ending 30 June 2021, seven entitlements were forfeited.

Gaming assurance functions

To ensure the integrity of gambling operations throughout Victoria, we perform significant assurance functions in relation to gaming products, including gaming machines, casino operations, public lotteries, wagering and keno. Our audits ensure that key legislative obligations and requirements are adhered to, approved products and systems are appropriately operated and controlled. They also ensure that approved products are operated with integrity and that player fairness is maintained.

Our audits include:

- desk-top based assurance activities utilising reported data we receive in relation to each gambling product
- on-site assurance activities to assist in validating the accuracy and completeness of the reported data
- revenue-based audits that validate the accuracy and completeness of taxes calculated in relation to each gambling product
- systems-assurance processes that attest to the adequacy of gambling-system operations in line with approvals provided by the VCGLR.

Table 9 - Number of Gaming Assurance Functions undertaken in 2020-21

On-site Gaming Venue Operational Audits	On-site Gaming Venue Financial & Data Verification Audits	Gaming Revenue Assurance Audits (non-Casino)	Casino financial assurance audits	Total
131	18	228	99	1,031

Table 10 – Gambling licensing applications finalised under delegation 2020-21

Application Type	Granted	Refused	Withdrawn	Total
New EGM and EGM game	178	0	1	179
Modification to EGM and EGM game	369	1	2	372
Linked jackpot arrangement installation approval	8	0	0	8
Linked jackpot arrangement at venue	8	0	0	8
Linked jackpot arrangement at casino	1	0	0	1
Wagering and betting system modification	67	0	16	83
Lottery system modification	46	0	3	49
Keno system modification	9	0	3	12
Gaming equipment at casino	16	0	0	16
Gaming industry employees (new)	1,613	31	13	1,657
Gaming industry employees (renewal)	479	5	7	491
Casino special employees (new)	264	1	4	269
Casino special employees (renewal)	93	1	74	297
Bookmaker's key employee (new)	14	1	0	15
Bookmaker's key employee (renewal)	4	0	0	4

Venue operator's licence (new)	35	0	0	35
Venue operator's licence (renewal)	2	0	0	2
Application to be listed on the roll of suppliers, manufacturers and testers	1	0	0	1
Inclusion/removal of premises with/from venue operator licence	22	0	0	22
Bingo centre operator's licence (new)	0	0	0	0
Bingo centre operator's licence (renewal)	5	0	0	5
Commercial raffle organiser's licence (new)	2	1	0	3
Commercial raffle organiser's licence (renewal)	0	0	0	0
Bookmaker sole trader (new)	10	0	1	11
Bookmaker sole trader (renewal)	5	0	0	5
Bookmaker partnership	4	0	0	4
Bookmaker corporate entity (new)	2	0	0	2
Bookmaker corporate entity (renewal)	1	0	0	1
New associates	1,203	1	1	1,205
EGM entitlements (transfer, amendment and extension of time)	89	0	0	89
New nominees	67	0	0	67
Extension of time to nominate a nominee	0	0	0	0
Declaration of community and charitable organisations (new)	485	15	34	534
Declaration of community and charitable organisations (renewal)	966	8	1	975
New minor gaming permit (raffle)	414	3	5	422
New minor gaming permit (lucky envelope)	145	0	1	146
New minor gaming permit (fundraising)	6	0	0	6
Minor gaming permit (amendment)	63	2	2	67
Notification of intention to conduct bingo	21	1	2	24
Notification of specified changes to bingo	47	0	0	47
Modification to gaming machine areas	30	0	4	34
Authorisation of persons to be in possession of gaming machines	23	0	5	28
Authorisation of persons to manufacture, sell, supply, obtain or be in possession of gaming machines or restricted components for use outside Victoria	31	0	0	31
Waive penalty interest payable on gaming taxes	0	0	0	0
Total	7,048	70	109	7,227

Gambling player loss and taxes

As at 30 June 2021, player loss in its various forms within Victoria amounted to just over \$3,464 million, and taxes and levies paid to the State of Victoria amount to just over \$1,281 million.

Table 11 – Player loss and taxes (\$million) paid by category activity 2020–21

Source	Player loss	Taxes and levies paid into the Consolidated Fund (\$million)
Gaming machines: hotels and clubs	1,562.2	570.9
Melbourne Casino: gaming machines and table games*	399.2	72.2
Wagering: racing (totalisator), football, trackside and sports betting [#]	2,379.3	189
Lotteries [#]	722.9	574.3
Keno	13.4	3.3
Total:	3,464.33	1,281.83

Notes: *In relation to consolidated Melbourne Casino taxes for 2020-21, no super tax was payable.

[#]Victoria only

Table 12 - Applicable taxation rates, by venue type and gambling type 2020-21

Venue or gambling type	Taxation rates (%)		
	Average monthly player loss in dollars per machine		
Gaming machines–hotels and clubs	less than 2666	2666-12,499	above 12,500
	Clubs	0.00	46.70
Hotels*	8.33	55.03	62.53
Casino Gaming machines and table games			
General player casino tax (tables only)	21.25		
General player casino tax (gaming machines only)	31.57		
Commission-based player tax (tables and gaming machines)	9.00		
Community Benefit levy (all players)	1.00		
Wagering			
Totalisator (pari-mutuel) betting	8.00		
Approved betting competition	8.00		
Fixed Odds			
Fixed Odds sports betting	8.00		
Fixed Odds trackside	8.00		
Lotteries			
Public lottery tax (Australian sales)	79.40		
Public lottery tax (overseas sales)	90.00		
Keno			
Gaming tax	24.24		

Note: *8.33 per cent of player loss is payable to the Community Support Fund

Table 13 – Tax collection analysis by month for 2020–21

Taxable Month	Number of Venues Scheduled for collection*	Monthly Tax Collection Status as at the end of FY 2019/20 (Number of venues)		
		Failed initial sweep	Tax subsequently collected	Outstanding Tax at End of FY19/20
July 2020	0	0	0	0
August 2020	0	0	0	0
September 2020	0	0	0	0
October 2020	0	0	0	0
November 2020	0	0	0	0
December 2020	0	0	0	0
January 2021	0	0	0	0
February 2021 [#]	467	5	5	0
March 2021	478	3	3	0
April 2021	473	1	1	0
May 2021	462	2	2	0
June 2021	380	0	0	0

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

[#]Licensed venues recommenced gaming on 9 November 2020 after Stage 3 COVID-19 restrictions lifted. Gaming tax sweeps recommenced on February 2021 after earlier being deferred by the Minister. The tax sweeps included all prior months' outstanding taxes apart from since March 2020, which will be collected in September 2021.

Community Benefit Statements

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

The table below shows information for CBSs lodged in accordance with the determination of 22 June 2012 made by the Minister for Gaming. CBSs are due by 30 September and are made available on our website (www.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 Annual Report.

Table 14 – Community Benefit Statements 2020-21

	Clubs
Number of Community Benefit Statements lodged	233
Net Gaming Revenue (NGR)	\$'000
CBS claims	692,628
Class A	\$'000
a) Donations, gifts and sponsorships (including cash, goods and services)	13,821
b) Cost of providing and maintaining sporting activities for use by club members	28,801
c) Cost of any subsidy for the provision of goods and services but excluding alcohol	12,942
d) Voluntary services provided by members and/or staff of the club to another person in the community	3,378
e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	685
Class A total	59,627
Class B	\$'000
a) Capital expenditure	9,307
b) Financing costs (including principal and interest)	3,798
c) Retained earnings accumulated during the year	795
d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	2,067
e) Operating costs	193,945
Class B total	209,912
Class C	\$'000
a) Provision of responsible gambling measures and activities but excluding those required by law	42
b) Reimbursement of expenses reasonably incurred by volunteers	97
c) CBS preparation and auditing expenses	273
Class C total	412
CBS Total (Class A + B + C)	269,951
Percentage of NGR claimed for community purposes	38.97%

Appendix Five – Liquor licensing-related activity

In 2020–21, we determined 15,172 liquor licence-related applications compared to 15,718 for the previous financial year. ‘Determined applications’ refers to the number of applications granted or refused but does not include applications withdrawn prior to a determination being made. The total number of determined applications captures a range of applications, including those for new permanent liquor licences and permits, temporary and major event licences, variations to existing licences and permit conditions, and transfers of existing licences or permits.

Nearly half of all applications we determined in 2020–21 (45.7 per cent) were for temporary limited licences or major event licences.

Of the 15,897 finalised applications, 93.9 per cent were granted, 1.5 per cent were refused and 4.6 per cent were withdrawn by the applicant.

Victoria Police, local councils or community members lodged objections to a small proportion (3 per cent) of finalised applications. Approximately 49 per cent of these applications did not proceed as contested applications because either the objection or the application itself was withdrawn. Of the applications that proceeded as contested, 68 per cent were granted, often with special conditions.

As of 30 June 2021, there were 24,545 active permanent liquor licences, a 4.2 per cent increase on the previous year. This was largely driven by 445 new restaurant and cafe licences, and 695 new renewable limited licences being granted throughout the year.

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

During the year, we issued 27,983 proof of card, which are used to verify that the holder is 18 years old or over when they try to enter licensed premises. This represents a 6.9 per cent increase on the last financial year.

At 30 June 2021, a total of 45 liquor licences, incurring a total of 26 demerit points, were recorded in the demerit points register.

Table 15 Demerits points register 2020–21

Demerit points	Licences affected
1	18
2	2
3	3
4	1
5	2

The demerit points register is published on our website.

Table 16 - Liquor licensing applications finalised under delegation 2020-21

Application Type	Granted	Refused	Withdrawn	Total
Application for new permanent licence				
BYO permit	61	0	2	63
Full club licence	0	0	0	0
General licence	85	0	2	87
Late night (general) licence	1	0	0	1
Late night (on-premises) licence	2	0	0	2
Late night (packaged liquor) licence	1	0	0	1
On-premises licence	87	3	4	94
Packaged liquor licence	84	0	5	89
Pre-retail licence	217	1	8	226
Producer's licence	43	2	5	50
Renewable limited licence	695	26	21	742
Restaurant and cafe licence	445	24	71	540
Restricted club licence	5	1	1	7
Application for new temporary licence				
Temporary limited licence	6,579	108	386	7,073
Major event licence	164	0	38	202
Application relating to an existing licence				
Approval of director	536	0	8	544
Approval of nominee	832	2	19	853
Endorsed Person (s80/81)	69	1	2	72
Release from Obligations (s64)	61	0	0	61
Relocation of BYO permit or licence	87	0	4	91
Renewal of BYO permit or licence by owner, mortgagee, etc.	115	0	2	117
Surrender of BYO permit or licence	103	8	5	116
Transfer of BYO permit or licence	1,077	20	64	1,161
Variation of BYO permit or licence	686	32	60	778
Variation of licence initiated by the VCGLR	2,810	0	2	2,812
Waive or reduce fees	6	15	1	22
Other*	76	2	15	93
Total	14,927	245	725	15,897

Note: *Other includes applications to sublet, exemptions from free water or RSA requirements.

Table 17 - Number of active liquor licences as to 30 June

Licence type	2017-18	2018-19	2019-20	2020-21
BYO permit	1,196	1,173	1,108	1,037
Full club licence	741	740	738	728
General licence	1,636	1,672	1,705	1,833
Late-night (general) licence	482	475	473	474
Late-night (on-premises) licence	359	362	354	347
Late-night (packaged liquor) licence	2	3	3	3
On-premises licence	2,011	2,007	2,034	2,036
Packaged liquor licence	2,092	2,117	2,150	2,206
Pre-retail licence	977	1,017	1,124	1,329
Renewable limited licence	5,160	5,352	5,535	6,108
Restaurant and cafe licence	6,185	6,440	6,557	6,655
Restricted club licence	894	874	859	817
Producer's licence	861	895	923	972
Total	22,596	23,127	23,563	24,545

Table 18 – Proof of age cards issued

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
15,578	20,678	25,619	27,306	26,171	27,983

Star rating discount

The star rating scheme is an incentive to reward licensees who have recorded two or more consecutive relevant periods without a non-compliance incident. When introduced in 2012, all liquor licences were given a three-star rating and all new licences start with three stars.

In 2021, only packaged liquor licensees were required to pay their annual renewal fee as they continued normal trade throughout the COVID-19 restrictions.

Of these, 1,949 or 89.9 per cent of packaged liquor licensees² received a 10 per cent discount on their annual liquor licence renewal fee as a result of holding a five-star rating. A further 60 (2.8 per cent) packaged liquor licensees received a five per cent discount on their 2021 renewal fee due to their four-star rating.

Under the LCR Act, non-compliance incidents include offences such as unlawful supply of alcohol to underage or intoxicated persons on licensed premises. Seventeen licensees did not receive the discount because of non-compliance incidents.

² In response to the COVID-19 State of Emergency declaration, the Victorian Premier announced financial support for liquor licensees in September 2020. The support measures included the 2021 liquor licence and permit renewal fees being waived for all but packaged liquor licensees.

Table 19 - Demerit points recorded in demerit points register 2020-21

Date demerit point recorded in demerit point register	Licence number	Licence category	Premises name	Licensee	Number of demerit points recorded
16/03/2021	31920758	Late Night General licence	9 Points Entertainment	9 Points Entertainment Pty Ltd	1

Table 20 – Total liquor licence applications

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Determined*	15,384	15,329	16,434	16,227	15,718	15,172
Finalised#	15,776	15,720	16,822	16,626	16,293	15,897

Notes: *Determined applications are those where a determination has been made under the LCR Act; withdrawn applications are excluded.

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

Designated areas

Under section 147 of the LCR Act, the Commission has the power to declare an area in Victoria to be a designated area, providing Victoria Police and courts with the ability to ban individuals from licensed premises in the area or from the area itself. The Commission determines requests to order designated areas in consultation with the Chief Commissioner of Victoria Police.

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

A community consultation was finalised in 2020 as part of a Regulatory Impact Statement process. This resulted in our declaration on 26 November 2020 that five existing Designated Area Orders for entertainment precincts in Mildura, Footscray, Colac, Mornington and Sunshine will run for a 10-year period, rather than annually. This will reduce the administrative burden associated with making Designated Orders.

Appendix Six – Other compliance and enforcement

This section details the outcomes and grounds for compliance and enforcement action we completed not listed above.

Table 21 – Gaming venue operator disciplinary action in date order

Venue operator	Grounds	Decision Date	Result
Degroup Entertainment Pty Ltd	Licensee failed to provide information that the licensee is required by the GR Act to provide	29 July 2020	Fined \$1,500
Jayeesar Pty Ltd	Licensee failed to provide information that the licensee is required by the GR Act to provide	12 August 2020	Fined \$500
Koorungal Golf Club	Licensee failed to provide information that the licensee is required by the GR Act to provide	16 June 2021	Letter of censure
Hill Top Golf and Country Club Limited	Licensee failed to provide information that the licensee is required by the GR Act to provide	17 June 2021	Letter of censure

Table 22 – Gaming industry employee (GIE) and Casino special employee (CSE) disciplinary action*

Month	No. of licences cancelled	No. of letter of censure issued	No. of licences suspended	No. of licences cancelled and licensee disqualified from obtaining or applying for a gaming licence	Total
July 2020	4 GIE	3 GIE 3 CSE	0	1 GIE	8 GIE 3 CSE
August 2020	9 GIE	1 GIE	0	0	10 GIE
September 2020	2 GIE	1 GIE	0	0	3 GIE
October 2020	4 GIE 1 CSE	1 GIE	0	0	5 GIE 1 CSE
November 2020	4 GIE	2 GIE	1 GIE	0	7 GIE
December 2020	3 GIE	1 GIE	1 GIE	0	5 GIE
January 2021	1 GIE	1 GIE	0	0	2 GIE
February 2021	6 GIE	3 GIE	0	0	9 GIE
March 2021	3 GIE	1 CSE	0	0	3 GIE 1 CSE
April 2021	3 GIE	2 GIE	0	0	5 GIE
May 2021	8 GIE	1 GIE 2 CSE	0	1 GIE	10 GIE 2 CSE
June 2021	0	1 GIE 1 CSE	0	0	1 GIE 1 CSE
Total	47 GIE 1 CSE	17 GIE 7 CSE	2 GIE	2 GIE	68 GIE 8 CSE*

Note: *Further details about disciplinary action against employee licence holders can be found on our website.

Table 23 – Bingo centre operator disciplinary action in date order

Grounds	Decision Date	Result
Licensee has been found guilty of a relevant offence.	3 March 2021	Letter of censure

Enforceable undertakings under the Liquor Control Reform Act

We may accept a written undertaking given by a licensee about a matter to which the Commission has a power or function under the LCR Act or a matter relating to a breach of the LCR Act.

A written undertaking is a legal agreement where a person or organisation undertakes to abide by certain conditions agreed to with the Commission. Breach of an agreement is a ground for disciplinary action under the LCR Act.

We publish copies of [enforceable undertakings](#) on our website.

No enforceable undertakings were entered into during the 2020-21 financial year.

Warnings and infringements

During the 2020-21 financial year, we wrote 749 warning letters, and issued five official warnings and 48 infringement notices for gambling and liquor-related matters. Of these 667 warning and 41 infringement notices were related to liquor. Of these, 667 were liquor-related warnings and 41 infringement notices related to liquor. It is to be noted that our 'warning letters' relate to an internal warning process; these letters are now known as Non-Compliance Notifications. Official warnings are those that are linked to the penalty infringement notice system, and which are issued for infringeable offences.

Appendix Seven – Corporate Plan

In 2020-21, we launched our new Corporate Plan 2020-2023.

The Plan identifies four long-term outcomes that we will strive to achieve over the next three years of the plan. These are:

- High levels of confidence in the VCGLR
- Improved industry compliance
- VCGLR is easy to access
- VCGLR is a sustainable organisation.

To drive the achievement of these outcomes, we identified four strategic priorities that we will focus on over the next three years. These will be supported by annual actions that will drive progress towards achieving the stated outcomes goals.

1 Be an influential regulator

2 Apply responsive regulatory practice

3 Enhance the user experience

4 Build and maintain a sustainable organisation

Table 24 – Corporate Plan report

Strategic Priority	Intended actions	2020-21 actions/achievements
Be an influential regulator	Implement a program of engagement with community, industry and co-regulators	Interjurisdictional collaboration examples include: <ul style="list-style-type: none"> • work with Cross Border Commissioner in NSW. • contribution to interjurisdictional responsible service of gaming (RSG). • chair the National Standards Working Party. • have current MOUs with a range of other agencies and regulators • host community stakeholder forums in metropolitan and regional areas • support Liquor Forums and approve Accords • monitoring of findings by other state and federal regulatory agencies • liaised closely with NSW Independent Liquor and Gaming Authority as it conducted the NSW Casino Inquiry.
	Use risk-based tools, data and intelligence to inform our regulatory decisions and actions	<ul style="list-style-type: none"> • Employed information management tools to enhance targeted identification of high-risk venues. • Utilised new visual analysis tools to prioritise venue inspections of licensed premises identified as breaching CHO Directions. • Focused inspections during high-risk times when identified venues were operating at relevant times. <p>In continuing to apply our three risk-based frameworks (the Risk-based Gambling Framework, the Risk-based Liquor and the Risk-based Electronic Gaming Machine (EGM) Products Framework), we are able to use a range of intelligence and data to guide risk assessment when determining applications. This has allowed us to dedicate appropriate resources to the assessment of medium and high-risk applications and the efficient determination of low-risk applications.</p>
	Implement a Strategic Communications and Engagement Framework	In 2020-21, we released our Strategic Communications and Engagement Framework and are progressively rolling out its supporting strategies.

Apply responsive regulatory practice	Develop tools for industry to assist them to comply with regulatory requirements	<ul style="list-style-type: none"> • Approved the nationally accredited RSA training course. • Agreement with Victoria Police for continual assessment of criminal backgrounds on gaming employees. • Positive engagement with all SBCs.
	Strengthen our intelligence capability to identify and target risk	<ul style="list-style-type: none"> • Introduced new information management tools to identify and target risk, including GEO spatial mapping and visual analysis technology. • Expanded data capture with other regulatory agencies to identify harms and assess risks. • Developing a new risk prioritisation tool to include more objective data sources. <p>We continue to work with Victoria Police to undertake weekly criminal background checks of licensed gaming employees and applicants. The agreement plays a critical role in targeting risks related to the suitability of those operating in the gambling sector.</p> <p>Under this initiative we have taken disciplinary action against 76 gaming employees. An additional 14 gaming employees surrendered their licences following the issue of show-cause notices.</p>
	Continually evaluate our risk-based frameworks and practice to achieve regulatory outcomes	<ul style="list-style-type: none"> • During the response to COVID-19, developed a new operating model to appropriately allocate resources where they would be most effective. • Introduced the PHET to manage breaches of CHO Directions <p>Following a review in 2020-21, enhancements to the the Risk-based Liquor Framework were implemented, which included strengthening the assessment of risk related to temporary licences.</p>
	Engage with industry to better anticipate and understand new and emerging trends, products and services	<ul style="list-style-type: none"> • Live Trial Framework for use in assessing EGMs and EGM games • Consultation with industry as part of the 'enhance regulation through education' project • Consultation with key stakeholders to ensure education programs and resources are relevant and useful • Stakeholder engagement with industry via liquor forums and accords • Outreach and other activities with gambling and liquor sectors via targeted education campaigns

Enhance the user experience	Simplify and enhance the quality of our online information and resources	Continued rollout of eLicence to allow licensees to manage their licence online.
	Modernise communication tools and content	'Enhance regulation through education' project focused on developing online tools to help licensees comply with their legislative obligations.
	Design and implement services to meet stakeholder needs	Deliver Train-the-Trainer and RSA via video conference.
Build and maintain a sustainable organisation	Implement the Workforce Strategy	Released our second Workforce Strategy. This year we have: <ul style="list-style-type: none"> • conducted leadership training for all managers • conducted mental health awareness training • introduced mental health first aid officers • delivered the Victorian Charter of Human Rights training, which had a focus on building positive values and behaviours, inclusion and diversity and a safe working environment that does not tolerate bullying, harassment, vilification or discrimination • commenced the development of our Gender Equality Action Plan for launch in late 2021.
	Participate in government budget processes to secure an appropriate level of funding	Regular engagement with the DJCS to ensure budget requirements are met.
	Implement the ICT Strategy 2019-2023	ICT Strategy continued to be delivered with 2020-21 achievements including: <ul style="list-style-type: none"> • improved cyber security • enhanced mobile solutions, including meeting all COVID-19 work-from-home requirements • improved business intelligence capabilities.

Appendix Eight – Governance

Establishment

We were established under the *Victorian Commission for Gambling and Liquor Regulation Act 2011*. Our functions and powers are set out in sections 9 and 10 of that Act.

Since establishment on 6 February 2012, we have been responsible for regulating the gambling and liquor industries in Victoria. As part of our governance arrangements we have a number of the following committees.

Audit and Risk Management Committee

In 2020-21, the Audit and Risk Management Committee (ARMC) had the following members:

1. Mr David Boymal AM (Chair)
2. Deputy Chairperson Helen Versey
3. Commissioner Andrew Scott

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

The ARMC reports directly into the Commission and its responsibilities are to:

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

In 2020-21, the committee met on 10 August 2020, 3 September 2020, 9 November 2020, 15 March 2021 and 24 May 2021.

Crown Governance Steering Committee

In 2020–21, the Crown Governance Steering Committee has the following members:

1. Chair Ross Kennedy (Committee Chair)
2. Catherine Myers, Chief Executive Officer
3. Scott May, General Counsel and Executive Director, Regulatory Policy and Legal Services
4. Alex Fitzpatrick, Director - Licensing
5. Adam Ockwell, Director - Compliance.

The Committee was established in 2019 to provide a forum to oversee, discuss and decide responsibilities on matters relevant to the Melbourne casino operator, Crown Melbourne Ltd.

The Committee holds weekly meetings and is chaired by the Chair of the VCGLR.

The Committee acts to approve our position, processes and systems to support effective governance of matters relating to the casino operator, including opportunities and challenges, emerging risks, policy issues and alignment, and legislative development and changes.

Melbourne casino operator enforcement actions are discussed and progressed and oversight of operator corporate structure changes are provided.

Additionally, the Committee provides oversight and guidance for the Crown Responsible Gambling and Cultural Review Working Group, the Anti-Money Laundering Working Group and the Remediation Plan Working Group.

Financial Management Compliance

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

We reviewed our financial management processes and determined compliance in 2020–21 with the mandatory financial management requirements. The VCGLR ARMC verified this view.

VCGLR Financial management compliance attestation statement

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



Ross Kennedy

Chairperson

Victorian Commission for Gambling and Liquor Regulation

26 August 2021

Other committees

Two other committees contribute to the governance of the VCGLR.

Legislation, Regulation and Policy Committee

In 2020-21, the Legislation, Regulation and Policy (LRP) Committee had the following members:

1. Deputy Chair Helen Versey (Committee Chair)
2. Chair Ross Kennedy
3. Deputy Chair Deirdre O'Donnell.

The LRP Committee provides the Commission with advice and support regarding legislation, regulation and policy matters. This helps the Commission to:

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

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

- considering, testing and validating new and existing regulatory practices, initiatives and operational approaches
- considering, analysing and monitoring opportunities for red-tape reduction
- considering, monitoring and proposing changes to the legislative or regulatory landscape
- considering community harms arising from the supply of gambling and liquor.

In 2020-21, the Committee met on 2 September 2020, 9 December 2020, 11 March 2021 and 8 June 2021.

People and Culture Committee

In 2020-21, the People and Culture Committee had the following members:

1. Deputy Chairperson Deirdre O'Donnell (Committee Chair)
2. Chair Ross Kennedy
3. Commissioner Danielle Huntersmith.

The People and Culture Committee advises and helps the Commission ensure that:

- the development and implementation of people and culture policies and procedures meet legislative and regulatory requirements and organisational needs, and enable every member of staff to contribute to improving how the organisation operates
- an appropriate performance management framework is developed and implemented to ensure the alignment of the performance of the CEO and senior executives with strategic priorities.

They can also advise and assist the Chairperson in relation to the Chairperson's role as public service agency head.

All Commissioners attend the People and Culture Committee which meets three times per year. In 2021-20, the committee met on 14 July 2020, 6 October 2020 and 16 March 2021.

Occupational health and safety

We have an active Occupational Health and Safety Committee that meets quarterly and ensures work-related risks are identified and addressed. During this year, the number of incidents and standard claims have continued on a downward trend with the number of incidents down by three and the number of claims down by one to zero. This is a result of our continuing focus on awareness, identification and proactive management of risks. The impact of the COVID-19 pandemic and periods of working from home have been managed with an emphasis on both physical and psychological health and safety. Return to office phases have been in accordance with COVIDSafe plans.

Table 25 – Incidents, claims, fatalities and claim costs per 100 full time equivalents 2016-17 to 2020-21

Measure	KPI	2016-17	2017-18	2018-19	2019-20	2020-21
Incidents	Number of Incidents*	12	12	16	8	5
	Rate per 100 FTE	6.09	5.7	7.61	3.7	2.4
Claims	Number of standard claims [#]	3	3	4	1	0
	Rate per 100 FTE	1.52	1.43	1.9	0.5	0
	Number of lost time claims [#]	3	3	4	1	0
	Rate per 100 FTE	1.52	1.43	1.9	0.5	0
Fatalities	Fatality claims	0	0	0	0	0
Claim costs	Average cost per standard claim [#]	\$95,640	\$34,388	\$130,908	\$102,072	\$91,129

Notes: *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.

[#]Victorian WorkCover Authority (VWA) data supplied by agent as at 30 June 2021. 2021.Total standard claims and time-lost claims includes accepted and rejected claims. Average cost per standard claim is calculated using the total incurred claim costs. Total incurred claim costs is a total of claims costs paid and VWA statistical case estimates.

Freedom of Information

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

From 1 July 2020 to 30 June 2021, we received 20 Freedom of Information (FOI), and one was carried over from 2019–20. Of these, 19 applications were determined in 2020–21. An additional two were received in 2020–21 but will be determined in 2021-22.

Two FOI decisions we made were sent to the Office of the Victorian Information Commissioner (OVIC) for review. One decision was confirmed by OVIC and the other was still under consideration by OVIC as at 1 July 2021.

On average, our processing time for FOI requests of 28.5 days is within the statutory requirement of 30 days. Four requests involved one or more agreements with the applicant for an extension of time. The average processing time for these requests was 45.5 days. One request agreed to waive the statutory timeframe and was processed in 69 days.

Table 26 – FOI requests received 2020-21

Requests received	
Initial decision	
Granted in full	9
Partially granted	5
Denied	4
Previously released	0
In process	2
Non-existent document requested	0
Not proceeded with	0
Withdrawn	1
Transferred to another agency	0
Total	21

Applications for review to the FOI Commissioner (OVIC) or VCAT

Table 27 – Information about FOI requests 2020-21

Information about requests	
Transferred from another agency	0
Average processing time (days)	28.5
Applications for review to the OVIC	2
Applications to the Victorian Civil and Administrative Tribunal	0
Complaints to the OVIC	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.

FOI requests can be lodged online at www.foi.vic.gov.au. An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material time-consuming.

Access to documents can also be obtained through a written request to our Freedom of Information Officer, as detailed in s17 of the FOI Act.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents should be addressed to:

Freedom of Information Officer, VCGLR

GPO Box 1988 Melbourne Victoria 3001

or

Level 3, 12 Shelley Street Richmond Victoria 3121

Further information regarding freedom of information can be found on the Office of the Victorian Information Commissioner's website, see: ovic.vic.gov.au

Employment conduct and principles

We continue to promote public administration values and adhere to open and transparent employment principles. There are Victorian Public Service (VPS) common policies and our own comprehensive policies and practices in place that are consistent with the Victorian Public Sector Commission's (VPSC) employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. Policies and processes are reviewed on a periodic basis.

Selection processes ensure that applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other accountable indicators without discrimination. Selection processes are conducted in accordance with the VPS Jobs and Skills Exchange policy. Employees have been correctly classified in workforce data collections.

Public sector values

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

Our four values are aligned with the public sector values of integrity, responsiveness, accountability, human rights, leadership, impartiality and respect.

We have strengthened our integrity framework through strategic internal communications and staff engagement along with an annual plan and workforce strategy that embeds and promotes the organisation's values and employment principles across the organisation.

Comparative workforce data

The full-time equivalent (FTE) component of staffing in 2020-21 has remained consistent with the 2019-20 FTE.

Table 28 – FTE staffing trends (headcount) 2015–2021

2021	2020	2019	2018	2017	2016	2015
203.84	210.64	210.37	210.48	197.04	178.55	183.79

Table 29 – Summary of employment levels at June 2021 and June 2020

	Ongoing employees			Fixed term and casual employees	
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
Jun-21	209	183	26	186.00	17.84
Jun-20	202	184	18	195.64	15

Table 30 – Annualised total salary (by \$20,000 bands) for executives and other senior non-executives

Income band (salary)	Executives	STS	Other
\$160,000 - \$179,999	0	0	0
\$180,000 - \$199,999	0	0	0
\$200,000 - \$219,999	1	1	0
\$220,000 - \$239,999	3	0	0
\$240,000 - \$259,999	0	0	0
\$260,000 - \$279,999	0	0	0
\$280,000 - \$299,999	0	0	0
\$300,000 - \$319,999	0	0	0
\$320,000 - \$339,999	0	0	0
\$340,000 - \$359,999	1	0	0
Total	5	1	0

Senior executive service data

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

Table 31 – Executive staffing profile by gender

	All	Man	Woman	Self-described
Class				
SES1	2	1	1	0
SES2	2	2	0	0
SES3	1	0	1	0
Total	5	3	2	0

Government advertising expenditure

We have not undertaken any advertising campaign with a total media buy of \$100,000 or greater.

Consultancy expenditure

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

In 2020-21, there were three consultancies where the total fees payable to the consultant were \$10,000 or greater.

The total expenditure incurred during 2020-21 in relation to the consultancies was \$157,953 (excluding GST). Details of individual consultancies are outlined below.

Table 32 – Details of consultancies valued at \$10,000 or greater

Consultant	Purpose of Consultancy	Start date	End date	Total Approved Project fee (excl. GST)	Expenditure 2020-21 (excl. GST)	Future Expenditure (excl. GST)
The Shannon Company Pty Ltd	Advisory services related to analysis and advice on communication strategy	October 2020	October 2021	\$99,703	\$71,038	\$28,665
CyberCX Pty Ltd	Enterprise cyber security review, options analysis and development of a roadmap	May 2021	June 2021	\$25,200	\$25,200	\$0
FYB Pty Ltd	Review of the VCGLR's Business Classification Scheme (BCS), development and recommendation of options and assistance for the implementation of the BCS within EDRMS (TRIM)	July 2020	October 2021	\$70,503	\$61,715	\$8,788

Details of consultancies under \$10,000

In 2020-21, there was one consultancy where the total fees payable to the individual consultancy was less than \$10,000.

Information and Communication Technology expenditure

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

Table 33 – ICT expenditure 2020–2021

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
BAU ICT expenditure	Non BAU ICT expenditure	Operational expenditure	Capital expenditure
Total	(Total = Operational expenditure and capital expenditure)		
\$(excl. GST)	\$(excl. GST)	\$(excl. GST)	\$(excl. GST)
7,118,564	772,185	721,580	50,605

Disclosure of major contracts

We did not enter into any contracts with a value greater than \$10 million in 2020-21.

Summary details of contracts with a commitment greater than \$100,000 entered into during the 2020-21 year have been published on the Victorian Government website: tenders.vic.gov.au

Compliance with the Public Interest Disclosures Act 2012

The *Public Interest Disclosures Act 2012* encourages and assists people making disclosures of improper conduct by public officers and public bodies. This Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

Our established processes require that disclosures of improper conduct or corruption by the VCGLR, its members or staff be made directly to the Independent Broad-based Anti-corruption Commission (IBAC).

Disclosures may be made by staff members or the public. Where we become aware that a disclosure has been made to IBAC, we will take reasonable steps to protect the welfare of relevant individuals.

Reporting procedures

Reports must be made directly to IBAC.

Further information

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

Compliance with the *Building Act 1993*

We do not own or control any government buildings and consequently are exempt from notifying compliance with the building and maintenance provisions of the *Building Act 1993*.

National Competition Policy

We comply with the National Competition Policy.

Compliance with *Carers Recognition Act 2012*

We have taken all practical measures to comply with our obligations under the *Carers Recognition Act 2012* (CRA Act) including considering the care relationship principles set out in the CRA Act when setting policies and providing services.

Compliance with the *Disability Act 2006*

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

Absolutely everyone: State disability plan for 2017-2020 is the Victorian Government's framework for enabling people with disability to participate and contribute to the social, economic and civic life of their community.

Reducing barriers to accessing goods, services and facilities

We are proactively working to ensure more accessible digital content so that people with a disability can access the information they need from our website. Increasing our digital and online access to key application processes and gambling or liquor licence management tools will allow people to manage their licences without the need to visit the office or use paper-based documentation. Issues have been identified with accessibility compliance and readability of our digital and design assets and the organisation is working to implement systems that allow us to identify and address these. For example, we have now upgraded all web presence to be mobile friendly (including desktop, laptop, tablets and all smart phone devices). We are also working to ensure all our public websites align with the global Web Content Accessibility Guidelines. Over the reporting period, we have uplifted the triage capability of our Contact Centre software to improve our response times for queries from our stakeholders.

Reducing barriers to persons with a disability obtaining and maintaining employment

We have established policy and processes to reduce barriers to persons with a disability and actively promote these policy and process requirements. We are committed to making reasonable adjustments throughout the employment lifecycle, including recruitment and selection practices along with individually assessed aspects of employees' roles as they are performed. This includes both physical and mental health aspects.

Promoting inclusion and participation in the community

Our Workforce Strategy sets our strategic intent with a focus on culture with the vision that 'we will build a resilient, diverse and inclusive workforce that is committed to our values'. Our three primary areas of cultural focus are values and behaviours, inclusion and diversity, and development and innovation. To achieve this, we will:

- embed inclusive language across all internal communication
- ensure that flexible work opportunities are promoted and available
- continue to build a safe working environment that does not tolerate bullying, harassment, vilification or discrimination
- develop and implement diversity and inclusion plans.

Achieving tangible changes in attitudes and practices that discriminate against people with a disability

Diversity and inclusion are a focus of our overarching and divisional business plans. We place a strong emphasis on the results of the Victorian Public Sector Commission's annual People Matter Survey, which provides an avenue to obtain tangible measurements including equal opportunity employment. Diversity and inclusion have been a focus of initiatives arising out of analysis of the People Matter Survey results.

Local Jobs First

The *Local Jobs First Act 2003* brings together the Victorian Industry Participation Policy and Major Project Skills Guarantee policy which were previously administered separately. We have had no projects in 2019-20 that require application of the *Local Jobs First Act 2003*.

Appendix Nine – Office-based environmental impact

Energy

We consumed 1,517,448 megajoules (MJ) of electricity across our Richmond office tenancy during 2020-21 – approximately 327.12 MJ per square metre. This equates to total greenhouse gas emissions of 42,513.33 tonnes of CO₂-e.

The energy consumption at our Ararat, Sale and Casino offices are not individually metered and no usage figures are available.

Waste

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

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

Paper

We use 100 per cent recycled copy paper. FollowMe Printing allows users to print to a shared print queue, and roam and release their print job from any printer. This ensures printing is confidential to the user and reduces printed waste from documents left uncollected.

If a printer is out of service, users can release their print jobs at the next available printer without disrupting productivity.

Refreshed branding templates were created in 2019-20 that will enable more efficient and accessible use of digital documents and reduce printing requirements.

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

In 2020-21, our paper use was somewhat less due to our workforce working from home in response to COVID-19 measures for part of the financial year.

Table 34 – Paper use 2018-19, 2019-20 and 2020-21

Paper use	2018-19	2019-20	2020-21
Paper used per Full Time Equivalent FTE (reams)	17.11	13.19	11.20
Paper used in total (reams)	3,250	2,400	2,358

Water

Water consumption at the Richmond building where we share tenancy is solely for office purposes.

Environmental initiatives for the building include waterless urinals and the harvesting of rainwater to flush toilets.

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

Transportation

In 2020-21, we maintained a fleet of 12 operational vehicles and five executive vehicles leased from the Department of Treasury and Finance VicFleet.

Two fleet vehicles are assigned to our regional offices in Ararat and Sale.

Table 35 – Petrol use for transport 2018-19, 2019-20 and 2020-21

All vehicles	2018-19	2019-20	2020-21
Litres of petrol used*	35,498.04	30,072.08	28,942.36
Litres per vehicle (average)	1,972.11	1,768.95	1,702.42

Note: *The change in compliance operations due to COVID-19 has reduced the overall fuel consumption average for the 2020-21 financial year.

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

Greenhouse gas emissions

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

Environmental procurement

In 2020-21, we purchased only 100 per cent recycled paper and operated multi-function devices that are environmentally endorsed. We purchase energy-efficient equipment wherever it is cost effective to do so.

Additional information available upon request

Access to the following information may be requested and released by us, subject to any applicable FOI requirements:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the organisation about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the organisation
- details of any major external reviews carried out on the organisation
- details of major research and development activities undertaken by the organisation
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the organisation to develop community awareness of our services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- details of the types of inquiries we held in 2020-21
- a general statement on industrial relations within the organisation and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the VCGLR, the purposes of each committee and the extent to which the purposes have been achieved
- consultants and contractors engaged, and services provided, together with expenditure committed for each engagement.

Compliance with DataVic Access Policy

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

In addition to publishing material on our website, material is also published in machine-readable formats on data.vic.gov.au, with 12 datasets and data tools available on the Victorian Government Data Directory.



Financial statements

For the financial year ended 30 June 2021



How this report is structured

The Victorian Commission for Gambling and Liquor Regulation (VCGLR) has presented its audited general purpose financial statements for the financial year ended 30 June 2021 in the following structure to provide users with the information about the VCGLR's stewardship of resources entrusted to it.

Certifications

Declaration in the financial statements

Independent auditor's report

Financial statements

Comprehensive operating statement

Balance sheet

Cash flow statement

Statement of changes in equity

Notes to the financial statements

1 About this report.....	104
The basis on which the financial statements have been prepared and compliance with reporting regulations.	
1.1 Basis of preparation	104
1.2 Compliance information.....	105
2 Funding delivery of our services	106
Revenue recognised from grants, sales of goods and services and other sources	
2.1 Summary of income that funds the delivery of our services.....	106
2.2 Grants	107
3 The cost of delivering services	108
Operating expenses of the VCGLR	
3.1 Expenses incurred in the delivery of services	108
3.2 Employee expenses.....	108
3.3 Other operating expenses.....	112
4 Financial information administered items.....	113
Administered (non-controlled) items on behalf of the government	
4.1 Administered items	113
5 Key assets available to support output delivery	123
Property, plant and equipment and intangible assets	
5.1 Property, plant and equipment ⁽ⁱ⁾	123

5.2 Intangible assets	127
6 Other assets and liabilities	129
6.1 Receivables	129
6.2 Payables.....	130
6.3 Prepayments.....	130
7 Financing our operations.....	131
Leases, cash flow information and commitments for expenditure	
7.1 Leases.....	131
7.2 Cash flow information and balances	133
7.3 Trust account balances	134
7.4 Commitments for expenditure	134
8 Risks, contingencies and valuation judgements.....	136
Financial risk management, contingent assets and liabilities as well as fair value determination	
8.1 Financial instruments specific disclosures.....	136
8.2 Contingent assets and contingent liabilities	142
8.3 Fair value determination.....	142
9 Other disclosures	145
9.1 Ex-gratia expenses	145
9.2 Other economic flows included in the net result.....	145
9.3 Responsible persons	145
9.4 Remuneration of executives	146
9.5 Related parties.....	147
9.6 Remuneration of auditors	148
9.7 Subsequent events.....	148
9.8 Other accounting policies	149
9.9 Australian Accounting Standards issued that are not yet effective	149
9.10 Glossary of technical terms and style conventions.....	150

Declaration in the financial statements

The attached financial statements for the Victorian Commission for Gambling and Liquor Regulation have been prepared in accordance with Directions 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, fairly presents the financial transactions during the year ended 30 June 2021 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2021.

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 18 November 2021.



Ross Kennedy

Chairperson



Catherine Myers

Chief Executive Officer



Michael Everett

Director Corporate Services

Melbourne

18 November 2021

Independent Auditor's Report

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

Qualified opinion I have audited the financial report of the Victorian Commission for Gambling and Liquor Regulation (the Commission) which comprises the:

- balance sheet as at 30 June 2021
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- declaration in the financial statements.

In my opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of my report, the financial report presents fairly the financial position of the Commission as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for qualified opinion The Commission administers the collection of casino taxation on behalf of the State and reports the associated administered transactions and balances in note 4.1.5 *Transactions on behalf of the government* of the financial report.

Notes 4.1.4 *Royal Commission into the Casino Operator and Licence* and 4.1.6 *Prior period adjustments to administered items* of the financial report detail:

- the Victorian Royal Commission into Crown Casino's suitability to hold its Victorian casino licence, that revealed Crown Resorts Limited and its associates (Crown) may have underpaid casino taxation to the State.
- Crown acknowledged an underpayment of taxes due to incorrectly deducting bonus jackpots in their tax assessment and based on its own review, subsequently paid \$61.5 million of underpaid casino tax and penalty interest after 30 June 2021. This has been accounted for as a prior period error in Note 4.1.6.

I was unable to obtain sufficient appropriate audit evidence from the Commission on the completeness and accuracy of the \$61.5 million payment received because the Commission has not yet completed its work to enable them to provide me with evidence to support the completeness and accuracy of the underlying bonus jackpots deduction data used to calculate the underpayment and penalty interest.

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

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

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

Emphasis of matters	Further to my qualification, I draw attention to Note 4.1.4 <i>Royal Commission into the Casino Operator and Licence</i> of the financial report, which describes the State's intention to engage with Crown after the Victorian Royal Commission's final report to understand whether any further tax issues or a shortfall of casino taxes exist, as referred to in the Royal Commission report, leading to future payments of tax with penalty interest. My audit opinion has not been modified with respect to these matters.
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The Commissioners' responsibilities for the financial report	<p>The Commissioners of the Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioners determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioners are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
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Auditor's responsibilities for the audit of the financial report

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

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

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

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



Janaka Kumara

as delegate for the Auditor-General of Victoria

MELBOURNE
19 November 2021

Comprehensive operating statement

for the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
Income from transactions			
Grants	2.1	41,056,327	38,491,615
Total income from transactions		41,056,327	38,491,615
Expenses from transactions			
Employee expenses	3.2.1	(27,627,762)	(26,769,066)
Depreciation and amortisation expense	5.1.1	(1,667,664)	(3,191,278)
Other operating expenses	3.3	(11,093,531)	(8,516,331)
Total expenses from transactions		(40,388,957)	(38,476,675)
Net result from transactions (net operating balance)		667,370	14,940
Other economic flows included in net result			
Net gains/(losses) on non-financial assets ⁽ⁱ⁾		0	(8,494)
Other gains/(losses) from other economic flows ⁽ⁱⁱ⁾		487,774	(109,438)
Total other economic flows included in net result		487,774	(117,932)
Net result		1,155,144	(102,992)
Comprehensive result		1,155,144	(102,992)

The accompanying notes form part of these financial statements.

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

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

Balance sheet

as at 30 June 2021

	Notes	2021 \$	2020 \$
Assets			
Financial assets			
Cash and cash equivalents	7.2	1,683,330	816,804
Receivables	6.1	14,337,688	13,686,387
Total financial assets		16,021,018	14,503,191
Non-financial assets			
Property, plant and equipment	5.1	1,108,319	1,036,627
Intangible assets	5.2	3,657,858	5,139,137
Prepayments	6.3	1,143,116	801,587
Total non-financial assets		5,909,293	6,977,351
Total assets		21,930,311	21,480,542
Liabilities			
Payables	6.2	2,859,342	3,773,552
Leases	7.1	411,778	461,951
Provisions	3.2.2	8,083,451	7,824,443
Total liabilities		11,354,571	12,059,946
Net assets		10,575,740	9,420,596
Equity			
Accumulated surplus/(deficit)		2,674,076	1,518,932
Contributed capital		7,901,664	7,901,664
Net worth		10,575,740	9,420,596

The accompanying notes form part of these financial statements.

Cash flow statement

for the financial year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts			
Receipts from Government		40,405,026	35,022,790
Goods and services tax recovered from the Australian Taxation Office (ATO) ⁽ⁱ⁾		1,035,087	985,197
Total receipts		41,440,113	36,007,987
Payments			
Payments to suppliers and employees		(40,265,334)	(34,187,634)
Total payments		(40,265,334)	(34,187,634)
Net cash flows from/(used in) operating activities	7.2.1	1,174,779	1,820,353
Cash flows from investing activities			
Purchases of non-financial assets		(215,157)	(989,352)
Net cash flows from/(used in) investing activities		(215,157)	(989,352)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities ⁽ⁱⁱ⁾		(93,097)	(791,674)
Net cash flows from/(used in) financing activities		(93,097)	(791,674)
Net increase / (decrease) in cash and cash equivalents		866,525	39,327
Cash and cash equivalents at the beginning of the year		816,805	777,478
Cash and cash equivalents at the end of the year	7.2	1,683,330	816,805

The accompanying notes form part of these financial statements.

Notes: (i) Goods and services tax recovered from the ATO is presented on a net basis.

(ii) The VCGLR has recognised cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion as operating activities consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.

Statement of changes in equity

for the financial year ended 30 June 2021

	Notes	Accumulated surplus \$	Contributed capital \$	Total \$
Balance at 1 July 2019		1,621,924	7,895,277	9,517,201
Net result for the year		(102,992)	0	(102,992)
Equity transfer within government		0	6,387	6,387
Balance at 30 June 2020		1,518,932	7,901,664	9,420,596
Net result for the year		1,155,144	0	1,155,144
Equity transfer within government		0	0	0
Balance at 30 June 2021		2,674,076	7,901,664	10,575,740

The accompanying notes form part of these financial statements.

1 About this report

The financial statements include the controlled and administrative activities of the VCGLR which commenced operation on 6 February 2012 pursuant to the *Victorian Commission for Gambling and Liquor Regulation Act 2011* which was passed on 27 October 2011 and received Royal Assent on 2 November 2011.

Its principal address is:

Level 3, 12 Shelley Street

Richmond, Victoria 3121.

1.1 Basis of preparation

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

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

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

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

1.1.1 Going concern

The financial statements are prepared on the assumption that the entity is a going concern. In August 2021, the government announced a new casino and gambling regulator. The government announcement declared that there will be no disruption to regulatory activity, and the VCGLR will continue its work while the new regulator is established.

On 26 October, as a part of the state government's response to the Royal Commission, a bill was introduced into Parliament which includes provisions to establish the Victorian Gambling and Casino Control Commission (VGCCC). Under the bill, the VCGLR will become known as the VGCCC from 1 January 2022.

Management has prepared these financial statements on a going concern basis on the assumption there will be an orderly transition of VCGLR's assets, and liabilities under ordinary machinery of government changes that will not result in any material change in the measurement basis for the carrying value of such assets and liabilities as they transition to successor entities.

1.2 Compliance information

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

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2 Funding delivery of our services

Introduction

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

The VCGLR operates within the scope of gambling legislation (*Gambling Regulation Act 2003*, *Casino Control Act 1991*, *Racing Act 1958*, *Casino (Management Agreement) Act 1993*, and liquor legislation (*Liquor Control Reform Act 1998*) and are, broadly, to:

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

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

2.1 Summary of income that funds the delivery of our services

	2021	2020
	\$	\$
Income recognised under AASB 1058 <i>Income of Not-for-Profit Entities (AASB 1058)</i>		
Grants	38,342,264	38,491,615
Specific purpose grants - Other ⁽ⁱ⁾	1,667,000	0
Revenue recognised under AASB 15		
Specific purpose grants - HRIEEO trust account ⁽ⁱⁱ⁾	1,047,063	0
Total income from transactions	41,056,327	38,491,615

Notes: (i) In 2020-21, the VCGLR received specific grants of \$1.491 million (m) to support the Royal Commission into the Casino operator and licence and \$0.176m for refunds to the liquor licensees with demerit points as part of the Government announcement to waive 2021 liquor licence fee.

(ii) During 2020-21, the VCGLR also received \$1.047m from the DJCS for High-Risk Industries Engagement and Enforcement Operation (HRIEEO). The HRIEEO funds are specifically allocated to meet the cost of the VCGLR's enforcement operational project cost. The VCGLR has no discretion to apply this balance to any alternate purpose.

Income that funds the delivery of the VCGLR's services is accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which the VCGLR does not have control are disclosed as administered items (see Note 4.1).

2.2 Grants

Grants recognised under AASB 1058

The VCGLR has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15 *Revenue from Contracts with Customers* (AASB 15).

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the VCGLR has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, the VCGLR recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other AASs. Related amounts may take the form of:

- a) contributions by owners, in accordance with AASB 1004 *Contributions* (AASB 1004)
- b) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15
- c) a lease liability in accordance with AASB Leases (AASB 16)
- d) a financial instrument, in accordance with AASB 9 *Financial Instruments* (AASB 9) or
- e) a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (AASB 137).

Income received for specific purpose grants for on-passing is recognised simultaneously as the funds are immediately on passed to the relevant recipient entities.

Grants recognised under AASB 15

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers under AASB 15. These grants relate to the provision of public health compliance services. Revenue is recognised when the VCGLR satisfies the performance obligation by providing the relevant services. This is recognised based on the actual expenses specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance.

Annotated income agreements

Under section 29 of the FMA, the DJCS has certain state income which is collected by the VCGLR and annotated to its annual appropriation. At the point when the income is recognised by the state, section 29 provides for an equivalent amount to be added to the annual appropriation of the DJCS, which then passes this on to VCGLR as a grant. This in effect allows the VCGLR to keep these funds collected on behalf of the state as grant income. Examples of receipts that can form a part of the section 29 agreement include proof of age cards, supply of responsible service of alcohol printed materials to the registered training organisations in Victoria and the Keno licence project.

During the reporting period, the VCGLR received \$0.056m in annual grant under section 29 of the FMA agreement (2020: \$0.581m).

3 The cost of delivering services

Introduction

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

3.1 Expenses incurred in the delivery of services

	Notes	2021 \$	2020 \$
Employee expenses	3.2.1	27,627,762	26,769,066
Other operating expenses	3.3	11,093,531	8,516,331
Total expenses incurred in delivery of services		38,721,293	35,285,397

3.2 Employee expenses

3.2.1 Employee benefits in the comprehensive operating statement

	2021 \$	2020 \$
Employee expenses		
Salaries and wages, annual leave and long service leave	24,188,656	23,384,180
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	1,280,586	1,287,827
Superannuation	2,158,520	2,097,059
Total employee expenses	27,627,762	26,769,066

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

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

The Department of Treasury and Finance (DTF) in its financial statements discloses on behalf of the State, as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to the DTF's financial statements for more detailed disclosures in relation to these plans.

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

The VCGLR made no termination payments in 2020-21 (2020: Nil)

3.2.2 Employee benefits in the balance sheet

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

	2021	2020
	\$	\$
Current provisions		
Employee benefits – annual leave⁽ⁱ⁾		
Unconditional and expected to settle within 12 months	2,186,347	1,866,584
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	348,450	271,443
Employee benefits – long service leave⁽ⁱ⁾		
Unconditional and expected to settle within 12 months	513,998	439,752
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	3,016,658	3,176,038
Provisions relating to employee benefit on-costs		
Unconditional and expected to settle within 12 months	394,581	322,895
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	547,655	545,449
Total current provisions	7,007,689	6,622,161
Non-current provisions		
Employee benefits - long service leave ⁽ⁱ⁾	923,973	1,036,871
Employee benefit on-costs	151,789	165,411
Total non-current provisions	1,075,762	1,202,282
Total provisions	8,083,451	7,824,443

Notes: (i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.
(ii) Amounts are measured at present values.

Reconciliation of movement in on-cost provision

	2021	2020
	\$	\$
Opening balance	1,033,755	957,340
Additional provisions recognised	332,073	379,329
Reductions arising from payments/other sacrifices of future economic benefits	(271,802)	(302,915)
Closing balance	1,094,026	1,033,755
Current	942,237	868,344
Non-current	151,789	165,411
Total employee benefits related on-costs	1,094,026	1,033,755

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

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

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

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

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

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

The components of this current LSL liability are measured at:

- undiscounted value – if the VCGLR expects to wholly settle within 12 months
- or
- present value – if the VCGLR does not expect to wholly settle within 12 months.

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

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

3.2.3 Superannuation contributions

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

As noted before, the defined benefit liability is recognised in DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the VCGLR.

	Paid contribution for		Contribution	
	year end		outstanding at year end	
	2021	2020	2021	2020
	\$	\$	\$	\$
Defined benefit plans⁽ⁱ⁾:				
Emergency Services and State Super	197,286	182,888	0	6,611
Defined contribution plans:				
VicSuper	1,044,174	1,070,332	0	30,632
Various other	851,788	783,006	0	23,589
Total	2,093,248	2,036,226	0	60,832

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

3.3 Other operating expenses

	2021	2020
	\$	\$
Supplies and services		
IT licence and maintenance	2,734,584	2,620,663
Contractors and professional services ⁽ⁱ⁾	3,997,093	2,166,007
Occupancy costs ⁽ⁱⁱ⁾	2,189,485	1,436,364
Other occupancy related costs	1,038,477	949,386
Low-value lease expenses	8,903	8,586
Postage and advertising	87,407	116,549
Printing, stationery and office requisites	184,665	317,254
Training and development	109,470	178,085
Motor vehicle running costs	110,586	60,950
Telephone and other communication expenses	158,065	119,442
Travel and related expenses	30,252	82,474
Interest expense	13,689	26,646
Other	254,856	433,925
Ex-gratia payments/refunds against specific purpose grants	175,999	0
Total other operating expenses	11,093,531	8,516,331

Notes: (i) The professional services include expenses against the specific purpose grants to support Royal Commission into the Casino Operator and Licence.

(ii) The occupancy costs include a service agreement for office occupancy services with the DTF as part of the government's Centralised Accommodation Management (CAM) strategy. The agreement has been evaluated against the lease evaluation criteria and management's assessment concluded that it does not form a lease.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and payments against specific purpose grants received from the DJCS. Supplies and services include VCGLR's office occupancy and related cost.

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

The following lease payments are recognised as expenses as incurred:

- short-term leases – leases with a term less than 12 months
- low-value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000.

4 Financial information administered items

4.1 Administered items

On behalf of the government, the VCGLR collects revenue amounts that are paid directly into the Consolidated Fund. The VCGLR does not gain control over these resources and accordingly, they are not recognised as income in the comprehensive operating statement. Transactions and balances relating to these resources (except as otherwise disclosed) are accounted for on the same basis and using the same accounting policies as for the VCGLR items. Both controlled and administered items of the VCGLR are consolidated into the financial statements of the state.

The VCGLR is accountable for the transactions involving these resources but does not have the discretion to deploy the resources for the achievement of its objectives.

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

4.1.1 Collection of revenue on behalf of the government

Revenue collected on behalf of the government includes taxes, fees and fines and the proceeds from the sale of non-current assets.

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

4.1.2 Performance obligations and revenue recognition policies

Licence revenue

Revenue is measured based on the consideration specified in the contract with the customer. The VCGLR recognises revenue when it transfers control of a good or service to the customer.

Where licence conditions permit the VCGLR to amend or cancel those licences unilaterally, the customer obtains control of the benefits of the licence over the licence period. In such circumstances, the VCGLR recognises licence fees received in advance as a contract liability and recognises the amounts as revenue over the licence period, as the performance obligation is satisfied.

Where licence conditions do not permit VCGLR to amend or cancel those licences unilaterally, the customer obtains control of the benefits of the licence when the licence is issued. In such circumstances, VCGLR recognises revenue at the point in time when the licence is issued.

Taxation revenue

Administered items also include gambling taxes, fees and fines. Taxes are accounted for under AASB 1058 as the tax is considered a statutory levy. Gambling revenue where the revenue relates to licences are accounted under AASB 15, and the tax component is accounted for under AASB 1058 and the revenue is recognised on receipt of a taxpayer's self-assessment, or the time the taxpayer's obligation to pay arises pursuant to the issue of an assessment, whichever is earlier.

4.1.3 Major licences

The following is a list of the major licences. The total licence income recognised for these major licences excluding the Casino during the year is \$145.8m (2020: \$146.1m).

Public lottery

The premium payment of \$120m for the public lottery licence was received on 29 June 2018 and is to be recognised over 10 years unless surrendered or cancelled earlier in accordance with the *Gambling Regulation Act 2003*. The licence became operational on 1 July 2018, of which \$84m is recognised as contract liability as at 30 June 2021 (2020: \$96m).

Keno

The \$60m from Keno licence received on 19 April 2011 is to be recognised over 10 years. The licence became operational on 15 April 2012, of which \$5m is recognised as contract liability as at 30 June 2021 (2020: \$11m).

Wagering and betting licences

An amount of \$410m which was received on 19 January 2012 for a Wagering and Betting licence is to be recognised over 12 years. The licence became operational on 16 August 2012 and \$105.3m is recognised as contract liability as at 30 June 2021 (2020: \$139.5m).

Electronic gaming machine licences

The electronic gaming machine entitlements (licences) were allocated during 2010 and the licences became operational on 16 August 2012 for a period of 10 years. The VCGLR receives the licence fee in instalments agreed between the Minister for Consumer Affairs, Gaming and Liquor Regulation (Minister) and the licensees. The contract liability recognised is \$105.2m as at 30 June 2021 (2020: \$198.8m).

In October 2018, the Minister issued each participating venue operator with a Final Allocation letter confirming the number of post-2022 gaming machine entitlements they have been allocated. The licence period commences on 16 August 2022 and is valid for a period of 10 years. Following the allocation in October 2018, a total of \$106m has been received for the first and second instalments. All instalments received in advance will remain as a contract liability until August 2022.

Casino licence

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

Casino licence

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

- Guaranteed payments of at least \$35m per annum over 6 years till 30 June 2021 in respect of tax on Gross Gaming Revenue (GGR) and Commission Based Players' Gaming Revenue from new gaming products.
 - Under the terms of the contract, if the actual casino tax (tax guarantee) from a new gaming product referable to any financial year during the guarantee period is less than the guaranteed sum, Crown will pay the difference to the State. During the period ended 30 June 2021, the casino tax payments from the new gaming products were lower than the \$35m tax guarantee, and payment is expected in accordance with the minimum tax guarantee.

- The contingent payment linked to the \$35m minimum tax guarantee, should the increase in taxation not be achieved in the period, has been included in the initial calculation of the total transaction price. It is reviewed and adjusted annually depending on the total tax guarantee received for that year.
- The following additional amounts on 1 September 2022:
 - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ended 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.0 per cent, then Crown will pay to the State an amount of \$100m, and
 - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ended 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.7 per cent, then Crown will pay to the State, in addition to the amount above, a further amount of \$100m, and
 - \$250m on 1 July 2033.

The contingent payment linked to compound annual growth in gaming revenue exceeding 4.0 per cent was included in the calculation of the licence revenue initially based on projections using existing data which indicated that its receipt was almost certain. This receivable was assessed in 2020 for impairment by comparison of the original revenue modelling against the actual revenues over the years of the agreement. Management's assessment indicated that its receipt was no longer certain therefore the contingent payment was reversed.

While transitioning to AASB 15 and AASB 16 in 2019–20, management made significant judgements in identifying the components of the combined contract, allocating the contract consideration to the components, identifying the performance obligation associated with the non-lease components and determining the timing of revenue recognition. As the combined agreement contains a lease, management has accounted for the arrangement as a lease contract under AASB 16, with the casino licence being treated as a non-lease component to be accounted for separately under AASB 15.

Casino receivables consist of deferred lease income from the casino peppercorn lease, as well as taxes and penalty interest receivable as discussed in Note 4.1.4 under the subsection 'Bonus Jackpots'. All receivables including receivables from the casino deferred lease income are assessed annually for impairment. For the 2020–21 annual assessment, the management has considered the outcome and recommendations of the Royal Commission into Crown's suitability to hold its Victorian casino licence (Victorian Royal Commission) and the government's initial response to the Royal Commission. Management's assessment indicates that there are no indicators of impairment for the period ended 30 June 2021. Refer to 4.1.4 for the Victorian Royal Commission.

The deferred lease income recognised for the casino lease is \$138.2m as at 30 June 2021. (2020: \$149.7m). The lease revenue recognised for the casino during the year is \$11.5m.

As at 30 June 2021, a total of \$543.7m is recognised as contract liabilities and deferred lease income by the VCGLR (2020: \$701m).

4.1.4 Royal Commission into the Casino Operator and Licence

On 22 February 2021, the Victorian Government announced the establishment of a Victorian Royal Commission into Crown Melbourne Ltd's (Crown Melbourne) suitability to hold its Victorian casino licence, as well as the suitability of its associates, including Crown Resorts Ltd. During hearings and in the final report, it was revealed that Crown may have potentially underpaid casino tax to the State. The Royal Commission Report, its findings and recommendations and the government's initial response were tabled in the Victorian Parliament on 26 October 2021. Management considered it appropriate to make disclosures on the treatment of each of the taxation issues made public in the hearings and final report.

Bonus Jackpots

Bonus jackpots refer to deductions of certain amounts made by Crown associated with dining rewards, free hotel accommodation and free parking which were gifted to loyalty members who played on electronic gaming machines. Crown formerly treated these amounts as "sums paid out as winnings" to players and deducted them from Crown's assessment of GGR, thereby reducing its own assessment of its casino tax liability. Under the *Casino (Management Agreement) Act 1993*, casino tax is levied on the amount of GGR.

On 27 July 2021, Crown notified the VCGLR that it had completed its review of potential casino tax underpayments by Crown referred to in the Victorian Royal Commission hearings regarding the alleged incorrect deduction of certain bonus rewards provided to patrons in connection with play on Crown Melbourne's electronic gaming machines. It conceded that the deductions of the above bonus jackpots were not correct and then made a payment of \$61.5m, representing an underpayment of casino tax of approximately \$37.4m over the period commencing in 2012 financial year to date, and penalty interest of \$24.1m.

Management has assessed recognition of the above-mentioned payment in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (AASB 108) and AASB 110 *Events after the Reporting Period* (AASB 110). The assessment concluded that the payment received from Crown is an adjusting subsequent event, as it is evidence of the quantum of tax underpayments dating back to 2012, and associated penalty interest. The payment represents a prior period error in Crown's calculation of GGR for payment of taxes since 2012. This error has been corrected by restating each of the affected line items of the administered income, assets and net assets for the 2019-20 comparative year as shown in table 4.1.6 Prior period adjustments to administered items.

The VCGLR verification is in progress and work performed to date on the above payment has not identified any material inaccuracies. Management intends to complete the full verification process in the 2021-22 financial year.

Poker tournament entry fees

Since approximately 2008, there had been disagreement between the State and Crown regarding the correct tax treatment of entry fees paid to enter gaming tournaments (for example, poker tournaments) at the Melbourne Casino, in particular, whether those entry fees should be included in GGR. Crown had disputed the inclusion of entry fees and thus had not included those amounts in the calculation of its tax liability.

In August 2021, Crown conceded to the State that tournament entry fees should have been included in GGR and casino tax was payable and has agreed to complete full disclosure of all tournament entry fees in the relevant period.

Crown has committed to determine and pay the amount owing by 15 December 2021. The State has agreed to this. Until the payment is received together with the underlying calculations from Crown, VCGLR is not able to reliably measure the amount, and as such, VCGLR has not accounted for it as at 30 June 2021. VCGLR will conduct its verification process on the amount paid by Crown upon receipt.

Other Tax Issues under consideration

The Victorian Royal Commission final report has found that other loyalty benefits provided to members may also form part of GGR. One such benefit is called "Matchplay" which occurs where a loyalty program member uses an EGM to convert loyalty points into a credit to be gambled on an EGM. Crown has notified VCGLR that in completing its review of other aspects of casino tax payments by Crown referred to in the Victorian Royal Commission, including Matchplay, it has not identified any further underpayments of casino taxes.

The State proposes to engage with Crown post the delivery of the Victorian Royal Commission's final report in relation to Matchplay and other loyalty benefits. For any shortfall of casino taxes identified from this process, the State will seek to secure any required payment along with penalty interest. As the State is yet to determine the status of Matchplay in relation to the assessment of GGR, no further amounts have been recognised as at the date of the 2020-21 Financial Report.

4.1.5 Transactions on behalf of the government

	2021 \$'000	2020 \$'000
Administered revenue and income		
Appropriations - Payments on behalf of the State	41,150	38,794
Gaming Taxation	570,989	749,360
Gambling Licence and Application Fees	365	468
Minor Gaming	24	17
Keno	9,267	9,787
Casino Taxation ⁽ⁱ⁾	97,893	153,843
Casino Lease Income	11,517	11,517
Public Lotteries	615,453	557,066
Tabcorp Supervision Fee	3,120	2,959
Tattersall's Supervision Fee	842	663
Venue Operators Supervision Fees	3,738	5,360
Lottery Premium Payment	12,000	12,000
Liquor Licence and Application Fees	1,037	1,871
Gambling Venue Licence Fees	93,657	93,914
Wagering and Betting Taxation and Licence Fees	34,167	34,167
Miscellaneous ⁽ⁱ⁾	14,428	12,658
Total administered income	1,509,647	1,684,444
Administered expenses		
Payments made to other jurisdictions	(41,150)	(38,794)
Payments to consolidated fund	(1,249,171)	(1,551,235)
Bad and doubtful debts	(76)	(12)
Total administered expenses	(1,290,397)	(1,590,041)
Other economic flows		
Net gain/(loss) on financial assets	1	(118,381)
Total other economic flows	1	(118,381)
Total expenses including economic flows	(1,290,396)	(1,708,422)
Net result from transactions (net operating balance)	219,251	(23,978)

Transactions on behalf of the government (continued)

Assets		
Current Assets		
Receivables and contract assets ⁽ⁱ⁾	176,443	66,977
Total current assets	176,443	66,977
Non-Current Assets		
Receivables and contract assets	137,805	185,743
Total non-current assets	137,805	185,743
Total assets⁽ⁱ⁾	314,248	252,720
Liabilities		
Current liabilities		
Contract liability and deferred lease income	156,346	157,347
Payables	3,042	3,424
Total current liabilities	159,388	160,771
Non-current liabilities		
Contract liability and deferred lease income	387,400	543,739
Total non-current liabilities	387,400	543,739
Total liabilities	546,788	704,510
Net Assets⁽ⁱ⁾	(232,540)	(451,790)
Equity balance at 30 June⁽ⁱ⁾	(232,540)	(451,790)

Note: (i) The 2020 comparatives have been restated. Refer to 4.1.6 for prior period adjustment for details.

4.1.6 Prior period adjustments to administered items

In the Victorian Royal Commission, it was revealed that Crown Melbourne may have underpaid taxes to the State. Crown notified the VCGLR on 27 July 2021 that it had completed its review of potential casino tax underpayments and paid \$61.5m representing an underpayment of casino tax of approximately \$37.4m and penalty interest of \$24.1m from the period commencing in 2012.

The payment represents a prior period error in Crown's calculation of GGR for payment of taxes since 2012. This error has been corrected by restating each of the affected line items of the administered income and assets for the 2019-20 comparative year. The accumulated error for the periods prior to the 2019-20 comparative year has been adjusted as an opening balance adjustment into the accumulated deficit on 1 July 2019. These underpayments of taxes and the prior period errors only affect casino taxation, penalties (under revenue category miscellaneous) and receivables from Crown Melbourne. It did not affect any other type of taxes or incomes or receivables.

The table below shows prior period adjustments related to all affected items within the administered items for the 2019-20 comparative year.

Prior period adjustments to the administered income items

	For period ended 30 June 2020 (restated)	Prior period adjustment to Casino taxation, Miscellaneous (for penalties associated with taxation adjustment in 2020)	For the period ended 30 June 2020 as previously presented
	\$'000	\$'000	\$'000
Administered revenue and income			
Appropriations - Payments on behalf of the State	38,794	0	38,794
Gaming Taxation	749,360	0	749,360
Gambling Licence and Application Fees	468	0	468
Minor Gaming	17	0	17
Keno	9,787	0	9,787
Casino Taxation ⁽ⁱ⁾	153,843	4,432	149,412
Casino Lease Income ⁽ⁱ⁾	11,517	0	11,517
Public Lotteries	557,066	0	557,066
Tabcorp Supervision Fee	2,959	0	2,959
Tattersall's Supervision Fee	663	0	663
Venue Operators Supervision Fees	5,360	0	5,360
Lottery Premium Payment	12,000	0	12,000
Liquor Licence and Application Fees	1,871	0	1,871
Gambling Venue Licence Fees	93,914	0	93,914
Wagering and Betting Taxation and Licence Fees	34,167	0	34,167
Miscellaneous	12,658	5,075	7,583
Total administered income	1,684,444	9,507	1,674,937
Administered expenses			
Payments made to other jurisdictions	(38,794)	0	(38,794)
Payments to consolidated fund	(1,551,235)	0	(1,551,235)
Bad and doubtful debts	(12)	0	(12)
Total administered expenses	(1,590,041)	0	(1,590,041)
Other economic flows			
Net gain/(loss) on financial assets	(118,381)	0	(118,381)
Total other economic flows	(118,381)	0	(118,381)
Total expenses including economic flows	(1,708,422)	0	(1,708,422)
Net result from transactions (net operating balance)	(23,978)	9,507	(33,485)

Note: (i) The previously presented 2019-20 and 2018-19 comparatives included Casino Taxation, Licence Fees and Lease income as one revenue category. The restated category has been split into Casino Taxation and Casino Lease Income for the period ended 30 June 2020.

Prior period adjustments to the administered assets

	For period ended 30 June 2019 (restated)	Prior period adjustment to receivables (for adjustment associated with the outstanding taxation and penalties)	For the period ended 30 June 2019 as previously presented
	\$'000	\$'000	\$'000
Assets			
Current Assets			
Receivables and contract assets	162,807	0	162,807
Total current assets	162,807	0	162,807
Non-Current Assets			
Receivables and contract assets	269,326	45,037	224,289
Total non-current assets	269,326	45,037	224,289
Total assets	432,133	45,037	387,096
Liabilities			
Current liabilities			
Contract liability/Unearned Income and deferred lease income	158,590	0	158,590
Payables	3,943	0	3,943
Total current liabilities	162,533	0	162,533
Non-current liabilities			
Contract liability//Unearned Income and deferred lease income	916,872	0	916,872
Total non-current liabilities	916,872	0	916,872
Total liabilities	1,079,405	0	1,079,405
Net Assets	(647,272)	45,037	(692,309)

	For period ended 30 June 2020 (restated)	Prior period adjustment to receivables (for adjustment associated with the outstanding taxation and penalties)	For the period ended 30 June 2020 as previously presented
	\$'000	\$'000	\$'000
Assets			
Current Assets			
Receivables and contract assets	66,977	0	66,977
Total current assets	66,977	0	66,977
Non-Current Assets			
Receivables and contract assets	185,743	54,544	131,200
Total non-current assets	185,743	54,544	131,200
Total assets	252,720	54,544	198,177
Liabilities			
Current liabilities			
Contract liability/Unearned Income and deferred lease income	157,347	0	157,347
Payables	3,424	0	3,424
Total current liabilities	160,771	0	160,771
Non-current liabilities			
Contract liability//Unearned Income and deferred lease income	543,739	0	543,739
Total non-current liabilities	543,739	0	543,739
Total liabilities	704,510	0	704,510
Net Assets	(451,790)	54,544	(506,333)

Prior period adjustments to the administered statement in changes in equity

	Accumulated surplus/ (deficit)	Total
	\$'000	\$'000
Balance at 1 July 2018	(815,765)	(815,765)
Net result for the year	123,454	123,454
Balance at 30 June 2019 (Before prior year adjustment and new accounting standards)	(692,309)	(692,309)
Prior year adjustment at 1 July 2019	45,037	45,037
Restated balance at 1 July 2019 (Before new accounting standards)	(647,272)	(647,272)
Change in accounting policy (due to AASB 15)	219,460	219,460
Restated balance at 1 July 2019	(427,812)	(427,812)
Net result for the year	(23,978)	(23,978)
Balance at 30 June 2020	(451,790)	(451,790)

4.1.7 Impact of coronavirus (COVID-19)

The impact of Coronavirus (COVID-19) on the Australian economy including liquor and gambling industries in Victoria has continued throughout the 2020-21 financial year. The administrative income collected by the VCGLR includes both licence fees and taxes on behalf of the government. As the gambling licence fees are mostly received in advance and recognised systematically over the term of the licence, except for the casino licence fee, the licence revenue has not been impacted by COVID-19 however temporary closures and restrictions have continued to have a significant impact on Victoria's pubs, clubs and gaming venues. This has extended the downwards trend observed during 2019-20 in gambling taxes from gaming venues, casinos and venues operating Keno.

As part of the government's Economic Stimulus Package for the industry, the government waived the 2021 annual liquor licence fees for all except one category of licences totalling \$21.31m and has provided a penalty-free extension for payment of supervision charges and gaming tax collections.

While several factors impact administrative income, the overall reduction in 2020-21 administrative income compared to 2019-20, is largely attributable to the resultant lower gambling taxation and liquor licence revenue.

5 Key assets available to support output delivery

Introduction

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

5.1 Property, plant and equipment ⁽ⁱ⁾

	2021	2020
	\$	\$
Leasehold improvements		
At Fair value	6,520,522	6,520,522
Less: Accumulated depreciation	(6,520,522)	(6,356,809)
	0	163,713
Computer and communication equipment		
At Fair value	1,920,976	1,393,681
Less: Accumulated depreciation	(1,250,308)	(1,014,415)
	670,668	379,266
Plant, equipment and vehicles		
At Fair value	129,345	129,345
Less: Accumulated depreciation	(101,525)	(94,806)
	27,820	34,539
Leased vehicles ⁽ⁱⁱ⁾		
At Fair value	585,033	575,028
Less: Accumulated amortisation	(175,202)	(115,919)
	409,831	459,109
Capital work in progress		
At Cost	0	0
	0	0
Total property, plant and equipment		
At Fair value	9,155,876	8,618,576
Less: Accumulated depreciation	(8,047,557)	(7,581,949)
Net carrying amount of property, plant and equipment	1,108,319	1,036,627

Initial recognition

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

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

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

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

Subsequent measurement

PPE as well as right-of-use assets under leases and service concession assets are subsequently measured at fair value less accumulated depreciation. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised by asset category.

Right-of-use asset acquired by lessees – Initial measurement

The VCGLR recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at a cost that comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred
- an estimate of costs to dismantle and remove the underlying asset or the site on which it is located.

Right-of-use asset – Subsequent measurement

The VCGLR depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

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

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

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

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

5.1.1 Depreciation and amortisation

Charge for the period⁽ⁱ⁾

	2021	2020
	\$	\$
Depreciation of property, plant and equipment		
Computer and communication equipment	235,893	205,586
Plant, equipment and motor vehicles	6,719	9,200
Leasehold improvements-office fit-out	163,712	919,690
Amortisation expense		
Right-of-use property	0	718,189
Right-of-use vehicles	92,202	86,908
Internally developed software	1,169,138	1,251,705
Total depreciation and amortisation expense	1,667,664	3,191,278

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

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

Asset Class	Useful life (in years)
Leasehold improvements-office fit-out	7.6
Computer and communication equipment	4
Plant, equipment and vehicles:	
Office equipment	8
Vehicles	3
Leased property and vehicles:	
Right-of-use property	2
Right-of-use vehicles	3
Intangibles	8

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

Right-of-use assets are generally amortised over the shorter of the asset's useful life and the lease term. The VCGLR right-of-use property lease was transferred to the DTF on 1 November 2020.

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

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

Impairment

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

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

There were no indications of impairment of non-financial assets during 2020-21.

5.1.2 Carrying values by 'purpose group'

Classification by the Functions of Government 'Public order and safety'⁽ⁱ⁾ - Movements in carrying amounts:

	Leasehold improvements at fair value		Computer and communication equipment at fair value		Plant, equipment and vehicles at fair value		Leased property and vehicles at fair value		Capital work in progress at cost		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	163,713	1,083,403	379,264	385,470	34,539	49,227	459,110	2,895,051	0	51,000	1,036,627	4,464,151
Additions	0	0	221,370	74,732	0	0	101,847	296,854	0	0	323,217	371,586
Transfer from intangibles	0	0	0	0	0	0	0	0	305,926	73,648	305,926	73,648
Capitalisation from capital work in progress	0	0	305,926	124,648	0	0	0	0	(305,926)	(124,648)	0	0
Disposals	0	0	0	0	0	(5,488)	(58,923)	(132,225)	0	0	(58,923)	(137,713)
Transfer to another government entity	0	0	0	0	0	0	0	(1,795,473)	0	0	0	(1,795,473)
Depreciation and amortisation expense	(163,713)	(919,690)	(235,893)	(205,586)	(6,719)	(9,200)	(92,202)	(805,097)	0	0	(498,527)	(1,939,573)
Closing balance	0	163,713	670,667	379,264	27,820	34,539	409,832	459,110	0	0	1,108,319	1,036,627

Note: (i) Leasehold improvements, computer and communication equipment, plant, equipment and vehicles are classified primarily by the 'purpose' for which the assets are used according to one of ten 'Classification of the Functions of Government' (COFOG). Assets within a purpose group are further sub-categorised according to the asset's 'nature' (i.e. Leasehold improvements, computer and communication equipment, plant, equipment and vehicles, etc.), with each sub category being classified as a separate class of asset for financial reporting purposes.

5.2 Intangible assets

	Intangibles		Capital work in progress		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Opening balance	4,599,264	4,954,122	539,874	604,243	5,139,138	5,558,365
Additions	0	0	48,295	914,620	48,295	914,620
Capitalisation from capital work in progress	227,732	905,341	(227,732)	(905,341)	0	0
Transfer to PPE	0	0	(305,926)	(73,648)	(305,926)	(73,648)
Transfers out of CWIP	0	0	(54,511)	0	(54,511)	0
Disposals	0	(8,494)	0	0	0	(8,494)
Amortisation expense ⁽ⁱ⁾	(1,169,138)	(1,251,705)	0	0	(1,169,138)	(1,251,705)
Net book value at end of financial year	3,657,858	4,599,264	(0)	539,874	3,657,858	5,139,138

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

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

Initial recognition

Purchased intangible assets are all computer software assets and are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Expenditure incurred on internally-developed intangible assets that are capitalised include:

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

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

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

Subsequent measurement

Intangible assets with finite useful lives are amortised as an 'expense from transactions' on a straight-line basis over their useful lives. Refer to note 5.1.1 for information on amortisation.

Impairment

Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

There were no indications of impairment of intangible assets during 2020–21.

6 Other assets and liabilities

Introduction

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

6.1 Receivables

	2021	2020
	\$	\$
Current receivables		
Contractual		
Receivables	70,972	14,655
Statutory		
Amounts owing from the DJCS ⁽ⁱ⁾	12,930,686	12,399,112
GST Input tax credits recoverable	260,268	70,338
Total current receivables	13,261,926	12,484,105
Non-current receivables		
Statutory		
Amounts owing from the DJCS ⁽ⁱ⁾	1,075,762	1,202,282
Total non-current receivables	1,075,762	1,202,282
Total receivables	14,337,688	13,686,387

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

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

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The VCGLR applies AASB 9 for initial measurement of the statutory receivable and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Details about the VCGLR's impairment policies, exposure to credit risk and the calculation of the loss allowance are set out in Note 8.1.3.

6.2 Payables

	2021	2020
	\$	\$
Contractual		
Creditors	1,758,559	2,446,326
Accrued wages and salaries	5,471	738,143
Accrued expenses	1,095,312	589,082
Total payables	2,859,342	3,773,551

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

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

Payables consist predominantly of creditors and accruals on wages and salaries and expenses and are recognised at amortised cost. Payables represent liabilities for goods and services provided to the VCGLR prior to the end of a period that are unpaid and arise when the VCGLR becomes obliged to make future payments in respect of the purchase of these goods and services. Payables for supplies and services have an average credit period of 30 days and are paid within credit terms. As part of the government's Economic Stimulus Package to assist businesses during the coronavirus (COVID-19) pandemic, the payment terms have been changed to 10 days. There are no material payables that are determined to be impaired.

6.3 Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

7 Financing our operations

Introduction

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

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

7.1 Leases

Information about leases for which the VCGLR is a lessee is presented below.

Leasing activities

The VCGLR leases properties and motor vehicles. The lease contracts are typically made for fixed periods of 1-3 years.

Interest expense refers to the interest component of lease repayments. Interest expense is recognised in the period in which it is incurred.

For the year ending 30 June 2021, the VCGLR was committed to a low-value lease and the total commitment at the date was \$8,996 (2020: \$8,903).

7.1.1 (a) Right-of-use Assets

Right-of-use assets are presented in note 5.1.

7.1.1 (b) Amounts recognised in the comprehensive operating statement

For the year ending 30 June 2021, a total of \$13,689 as interest expense on lease liabilities is recognised in the comprehensive operating statement (2020: \$26,646). The lease interest expense is included in note 3.3.

7.1.1 (c) Amounts recognised in the cash flow statement

For the year ending 30 June 2021, the total cash outflow for leases recognised in the cash flow statement is \$0.093m (2020: \$0.792m).

For any new contracts entered into, the VCGLR considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the VCGLR assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the VCGLR and for which the supplier does not have substantive substitution rights
- the VCGLR has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the VCGLR has the right to direct the use of the identified asset throughout the period of use
- the VCGLR has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of leases as a lessee

Lease Liability - initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the VCGLR's incremental borrowing rate.

- Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments (including in-substance fixed payments)
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

The VCGLR has elected to account for short-term leases and leases of low-value assets using the following practical expedient. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of right-of-use assets and lease liabilities

The VCGLR presents right-of-use assets as 'property, plant and equipment'. Lease liabilities are presented as 'leases' in the balance sheet.

Maturity analysis of leases

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2021						
Lease liabilities	411,778	421,999	33,605	16,962	138,451	232,981
Total	411,778	421,999	33,605	16,962	138,451	232,981
2020						
Lease liabilities	461,951	483,566	8,693	17,386	103,183	354,303
Total	461,951	483,566	8,693	17,386	103,183	354,303

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

7.2 Cash flow information and balances

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

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

	2021 \$	2020 \$
Cash and cash equivalents	1,016,256	816,805
Trust funds ⁽ⁱ⁾	667,074	0
Balance as per cash flow statement	1,683,330	816,805

Note: (i) During 2020-21, the VCGLR received \$1.047m from the DJCS for HRIEEO. The HRIEEO funds are specifically allocated to meet the cost of the VCGLR's enforcement operational project cost. The VCGLR has no discretion to apply this balance to any alternate purpose.

Due to the State's investment policy and funding arrangements, the VCGLR does not hold a large cash reserve in its bank accounts. Cash received by the generation of income is generally paid into the State's bank account, known as the public account. Similarly, the VCGLR expenditure, including those in the form of payments drawn to its suppliers' or creditors are made via the public account. The process is such that the public account would remit the cash required for the payment to the VCGLR's suppliers or creditors.

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

	2021 \$	2020 \$
Net result for the period	1,155,144	(102,992)
Non-cash movements:		
Depreciation and amortisation of non-current assets	1,667,664	3,191,277
(Gain)/loss on sale or disposal of non-current assets	0	8,494
Movements in assets and liabilities		
(Increase)/decrease in receivables	(651,300)	(3,468,825)
(Increase)/decrease in other non-financial assets	(341,529)	(246,013)
Increase/(decrease) in payables	(914,209)	1,937,750
Increase/(decrease) in provisions	259,009	500,660
Net cash flows from/(used in) operating activities	1,174,778	1,820,353

7.2.2 Non-cash financing and investing activities

During the reporting period, the VCGLR acquired right-of-use of vehicles to the value of \$0.102m (2020: \$0.297m).

7.3 Trust account balances

	Opening Balance 1 July 2020 \$	Total Receipts \$	Total Payments \$	Closing Balance 30 June 2021 \$
2021				
Controlled trusts	0	1,047,063	379,989	667,074
Total	0	1,047,063	379,989	667,074

Note: (i) During 2020-21, the VCGLR received \$1.047m from the DJCS for HRIEEO. The HRIEEO funds are specifically allocated to meet the cost of the VCGLR's enforcement operational project cost. The VCGLR has no discretion to apply this balance to any alternate purpose.

7.4 Commitments for expenditure

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

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

7.4.1 Total commitments payable

	Operating Commitments		Capital		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Operating and capital commitments						
Payable ⁽ⁱ⁾						
Less than one year	4,862,478	5,528,790	0	108,904	4,862,478	5,637,694
Longer than one year and not longer than five years	773,915	1,848,809	0	0	773,915	1,848,809
Five years or more	0	0	0	0	0	0
Total operating and capital commitments	5,636,393	7,377,599	0	108,904	5,636,393	7,486,503

Notes:

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

- (i) Operating and capital commitments relate to the accommodation service contract, other operating and capital expenditure commitments. The operating commitment includes a low-value lease for a regional office for which the value of the lease is lower than the \$0.010m lease threshold therefore categorised as an operating lease.
- (ii) The VCGLR has entered into an occupancy agreement, ending on 31 October 2021, with the DTF SSP for office accommodation and other related services, including management fee, maintenance, electricity, etc. at Richmond and Sale offices.

8 Risks, contingencies and valuation judgements

Introduction

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

8.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the VCGLR's activities, certain financial assets and financial liabilities arise under statute rather than contract (for example taxes, fines and penalties). Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation* (AASB 132).

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

Categories of financial assets

Financial assets at amortised cost

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

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

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

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

Categories of financial liabilities

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

The VCGLR recognises the following liabilities in this category:

- contractual payables (excluding statutory payables)
- lease liabilities.

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

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

8.1.1 Financial instruments: Categorisation

	Cash and cash equivalents	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$	\$	\$	\$
2021				
Contractual financial assets				
Cash and cash equivalents	1,016,256	0	0	1,016,256
Funds held in Trust (controlled) ⁽ⁱ⁾	667,074	0	0	667,074
Receivables ⁽ⁱⁱ⁾	0	70,972	0	70,972
Total contractual financial assets	1,683,330	70,972	0	1,754,302
Contractual financial liabilities				
Payables ⁽ⁱⁱ⁾	0	0	2,859,342	2,859,342
Lease liabilities	0	0	411,778	411,778
Total contractual financial liabilities	0	0	3,271,120	3,271,120
2020				
Contractual financial assets				
Cash and cash equivalents	816,804	0	0	816,804
Receivables ⁽ⁱⁱ⁾	0	14,655	0	14,655
Total contractual financial assets	816,804	14,655	0	831,459
Contractual financial liabilities				
Payables ⁽ⁱⁱ⁾	0	0	3,773,552	3,773,552
Lease liabilities	0	0	461,951	461,951
Total contractual financial liabilities	0	0	4,235,503	4,235,503

Notes: (i) During 2020-21, VCGLR received \$1.047m from the DJCS for the HRIEEO project. The HRIEEO funds are specifically allocated to meet the cost of the VCGLR's enforcement operational project cost. The VCGLR has no discretion to apply this balance to any alternate purpose.

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

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

	Net holding gain/(loss)	Total interest income/(expense)	Fees income/(expense)	Total
	\$	\$	\$	\$
2021				
Contractual financial liabilities				
Financial liabilities at amortised cost	0	13,689	0	13,689
Total contractual financial liabilities	0	13,689	0	13,689
2020				
Contractual financial liabilities				
Financial liabilities at amortised cost	0	26,646	0	26,646
Total contractual financial liabilities	0	26,646	0	26,646

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

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

8.1.3 Financial risk management objectives and policies

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

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

Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. Credit risk arises from the financial assets of the VCGLR, which comprise cash and deposit and receivables. The VCGLR's exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in a financial loss to the VCGLR. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the VCGLR's financial assets is minimal because the VCGLR only deals with financial institutions with higher credit ratings.

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

There has been no material change to the VCGLR's credit risk profile in 2020-21.

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
	\$	\$	\$	\$
2021				
Contractual financial assets				
Cash and cash equivalents	1,016,256	0	0	1,016,256
Funds held in Trust (controlled)	0	667,074	0	667,074
Receivables ⁽ⁱ⁾	0	0	70,972	70,972
Total contractual financial assets	1,016,256	667,074	70,972	1,754,302
2020				
Contractual financial assets				
Cash and cash equivalents	816,804	0	0	816,804
Receivables ⁽ⁱ⁾	0	0	14,655	14,655
Total contractual financial assets	816,804	0	14,655	831,459

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

Impairment of financial assets

The VCGLR records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss (ECL) approach. Subject to AASB 9 impairment assessment are VCGLR's contractual receivables and statutory receivables. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

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

On this basis, the VCGLR determines the opening loss allowance on the initial application date of AASB 9 and the closing loss allowance at the end of the financial year. In 2020-21, no ECL was recognised as the assessment indicates zero per cent probability of default for the VCGLR contractual financial assets.

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

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

Financial instruments: Liquidity risk

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

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

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

Financial instruments: Market risk

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

Interest rate risk

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

Interest rate exposure of financial instruments.

	Weighted average effective interest rate	Carrying amount	Interest rate risk exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
			\$	\$	\$
2021					
Financial assets					
Cash and cash equivalents	0.3	1,016,256	0	1,016,256	0
Funds held in Trust	N/A	667,074	0	0	667,074
Receivables ⁽ⁱ⁾	N/A	70,972	0	0	70,972
Total financial assets		1,754,302	0	1,016,256	738,046
Financial liabilities					
Payables ⁽ⁱ⁾	N/A	2,859,342	0	0	2,859,342
Borrowings					
Lease liabilities	3.1	411,778	411,778	0	0
Total financial liabilities		3,271,120	411,778	0	2,859,342
2020					
Financial assets					
Cash and cash equivalents	1.1	816,804	0	816,804	0
Receivables ⁽ⁱ⁾	N/A	14,655	0	0	14,655
Total financial assets		831,459	0	816,804	14,655
Financial liabilities					
Payables ⁽ⁱ⁾	N/A	3,773,552	0	0	3,773,552
Borrowings					
Finance lease liabilities	3.3	461,951	461,951	0	0
Total financial liabilities		4,235,503	461,951	0	3,773,552

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

8.2 Contingent assets and contingent liabilities

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

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

Contingent liabilities are:

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

	2021	2020
	\$	\$
Contingent liabilities		
Make good ⁽ⁱ⁾	418,216	418,216
Total contingent liabilities	418,216	418,216

Note: (i) Under the CAM strategy, the lease has been transferred to the DTF and the DTF has extended this arrangement as an interim lease until November 2021. Under the lease terms of this arrangement, the VCGLR would be liable to make good the premises.

The VCGLR had no contingent assets for the years covered by this report.

8.3 Fair value determination

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

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

Fair value hierarchy

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

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

How this section is structured

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

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

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

8.3.1 Fair value determination of financial assets and liabilities

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

Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices

Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly

Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The VCGLR currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020-21 reporting period.

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

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

8.3.2 Fair value determination: Non-financial physical assets

Property, Plant and Equipment are held at fair value and classified as level 3 of the fair value measurement hierarchy. When building leasehold improvements-office fit-out and plant and equipment are specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

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

Description of significant unobservable inputs to Level 3 valuations

2021 and 2020	Valuation technique	Significant unobservable inputs
Building Leasehold Improvements-office fit out	Current replacement cost	Direct cost per square metre (Office fit-out was transferred from DJCS in February 2013) Term of the lease
Computer and communication equipment	Current replacement cost	Cost per unit Useful life of computer and communication equipment
Plant, equipment & vehicles	Current replacement cost	Cost per unit <ul style="list-style-type: none"> • office furniture & equipment • security equipment • vehicles Useful life <ul style="list-style-type: none"> • office furniture & equipment • security equipment • vehicles

The significant unobservable inputs have remained unchanged from 2020. There were no changes in valuation techniques throughout the period to 30 June 2021.

9 Other disclosures

Introduction

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

9.1 Ex-gratia expenses

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

In 2020-21 the VCGLR made \$0.176m in ex-gratia payments to liquor licensees with demerit points as part of the Government announcement to waive the 2021 liquor licence fee (2020: nil).

9.2 Other economic flows included in the net result

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

9.3 Responsible persons

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

Names

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

Responsible Minister – Minister for Consumer Affairs, Gaming and Liquor Regulation	
The Hon. Melissa Horne, MP	01 July 2020 to 30 June 2021
Responsible Minister – Acting Minister for Consumer Affairs, Gaming and Liquor Regulation	
The Hon. Ingrid Stitt, MP	5 March 2021 to 8 March 2021
Commission Members:	
Mr Ross Kennedy, PSM (Chairperson)	1 July 2020 to 30 June 2021
Ms Helen Versey (Deputy Chairperson)	1 July 2020 to 30 June 2021
Ms Deirdre O'Donnell (Deputy Chairperson)	1 July 2020 to 30 June 2021
Ms Danielle Huntersmith (Commissioner)	1 July 2020 to 30 June 2021
Mr Andrew Scott (Commissioner)	1 July 2020 to 30 June 2021
Accountable Officer – Chief Executive Officer	
Ms Catherine Myers (Chief Executive Officer)	1 July 2020 to 30 June 2021
Mr Scott May (Acting Chief Executive Officer)	1 July 2020 to 2 July 2020
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	27 December 2020 to 10 January 2021

Commissioners and Accountable Officer

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

Income Band	2021	2020
	\$	\$
\$40,000 - \$49,999	0	1
\$80,000 - \$89,999	0	2
\$130,000 - \$139,999	2	0
\$140,000 - \$149,999	2	2
\$180,000 - \$189,999	1	1
\$290,000 - \$299,999	0	1
\$390,000 - \$399,999	1	0
Total numbers⁽ⁱ⁾	6	7
Total amount⁽ⁱ⁾	1,144,579	964,911

Notes: (i) The number and amount received or receivable by the Responsible persons and Accountable Officer are based on FRD 21C.

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

(iii) The acting Accountable Officers are not included in this note.

9.4 Remuneration of executives

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

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

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

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

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

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

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

Remuneration of executive officers (including Key Management Personnel disclosed in Note 9.5)	Total remuneration	
	2021	2020
	\$	\$
Short-term employee benefits	921,430	800,489
Post-employment benefits	83,232	73,842
Other long-term benefits	23,085	19,527
Termination benefits	0	0
Total remuneration	1,027,747	893,858
Total number of executives⁽ⁱ⁾	4.00	4.00
Total annualised employee equivalents (AEE)⁽ⁱⁱ⁾	4.00	4.00

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

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

There were no payments made to contractors in executive roles.

9.5 Related parties

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

Related parties of the VCGLR include:

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

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

Significant transactions with government-related entities

The VCGLR received funding from DJCS of \$41.1m (2020: \$38.4m) and made payments to the Consolidated Fund of \$1,249.2m (2020: \$1,551.2m). The payments to the Consolidated Fund relates to the collection of gambling and liquor taxation and licence fees.

Key management personnel of the VCGLR includes the Portfolio Ministers, the Hon. Melissa Horne, MP, the VCGLR Chairperson and Commissioners, Chief Executive Officer and Director Corporate Services.

Key Management Personnel	Position title
Mr Ross Kennedy, PSM	Chairperson
Ms Helen Versey	Deputy Chairperson
Ms Deirdre O'Donnell	Deputy Chairperson
Ms Danielle Huntersmith	Commissioner
Mr Andrew Scott	Commissioner
Ms Catherine Myers	Chief Executive Officer
Mr Michael Everett	Director Corporate Services

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

Compensation of Key Management Personnel	2021	2020
	\$	\$
Short-term employee benefits	1,274,140	1,101,184
Post-employment benefits	106,884	97,961
Other long-term benefits	14,837	11,874
Total⁽ⁱ⁾	1,395,861	1,211,019

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

Transactions and balances with key management personnel and other related parties

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

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

9.6 Remuneration of auditors

	2021	2020
	\$	\$
Victorian Auditor-General's Office		
Audit of the financial statements ⁽ⁱ⁾	165,000	149,834
Total remuneration of auditors	165,000	149,834

Note: (i) The 2020 comparatives figures have been restated as a result of the additional fee paid to the auditor's post issuing of 2019-20 financial statements.

9.7 Subsequent events

The financial statements for the VCGLR are prepared on a going concern basis for the period ended 30 June 2021. On 03 August 2021, the government announced a new casino and gambling regulator, with a dedicated casino regulation division focused solely on holding Melbourne's casino operator to account.

On 26 October, as a part of the state government's initial response to the Royal Commission, a bill was introduced into Parliament which includes provisions to establish the VGCCC. Under the bill, the VCGLR will become known as the VGCCC from 1 January 2022. As proposed in the bill, there will be an orderly transition of VCGLR's assets and liabilities under ordinary machinery of government changes that will not result in any material change in the measurement basis for the carrying value of such assets and liabilities. As such, this event is not expected to have a material financial effect.

9.8 Other accounting policies

Contributions by owners

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

9.9 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020-21 reporting period.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2023.	The standard is not expected to have a significant impact on the public sector.
	AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i> was issued in August 2020 and defers the effective date to annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022, with earlier application permitted.		

9.10 Glossary of technical terms and style conventions

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

Amortisation

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

Comprehensive result

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

Commitments

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

Depreciation

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

Employee expenses

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

Ex-gratia payments

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

Financial asset

A financial asset is an asset that is:

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

Financial instrument

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

Financial liability

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

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

Financial statements

A complete set of financial statements comprises:

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

Grants and other transfers

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

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

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced assets in this glossary.

Interest expense

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

Interest income

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

Leases

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net result

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

Net result from transactions/net operating balance

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

Net worth

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

Nonfinancial assets

Nonfinancial assets are all assets that are not 'financial assets'. It includes building leasehold improvements-office fit-out, computer and communication equipment, plant, equipment, vehicles and intangible assets.

Non-produced assets

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

Other economic flows included in net result

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

Payables

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

Produced assets

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

Receivables

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

Sales of goods and services

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

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts. The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the 2020-21 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VCGLR's annual reports.

Supplies and services

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

Transactions

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

