

Victorian Commission for Gambling and Liquor Regulation  
**Annual Report 2019–20**



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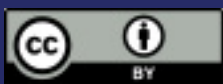
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# LETTER TO THE MINISTER

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 Annual Report for the year ended 30 June 2020 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 'Ross Kennedy', written in a cursive style.

**Ross Kennedy PSM**  
Chairperson  
Victorian Commission for Gambling and Liquor Regulation  
3 October 2020

## 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.



# MESSAGE FROM THE CHAIRPERSON AND CEO



**The Victorian community expects the gambling and liquor industries to be responsibly regulated, so they can safely enjoy the diverse and vibrant social, community and entertainment experiences Victoria has to offer.**

Each year, as an industry regulator we face new challenges and opportunities and this past year has been no exception.

The Victorian bushfires and more recently the coronavirus (COVID-19) pandemic, have required a responsive and agile approach. We have been able to contribute to the statewide response through our partnerships with stakeholders across government and the Victorian community, and play an important role in supporting industry while helping to safeguard the health and wellbeing of all Victorians.

As an employer, we were responsive to an evolving situation and enacted our business continuity plan and governance processes to successfully maintain delivery of our legislative functions as we transitioned to a 'work from home' operating model. As always, our primary focus was ensuring the health, safety and wellbeing of our staff, especially those with public facing responsibilities.

The VCGLR regulates the gambling and liquor industries alongside other state and federal government regulators and law enforcement agencies. Together, we have received considerable attention over the last year particularly in relation to the oversight of the casino operator, Crown Melbourne (Crown).

In response to media reports we initiated a comprehensive examination of issues within our regulatory remit. This has been a complex process involving engagement with other domestic and international regulators and law enforcement agencies and analysis of a substantial amount of documentary information and evidence. As a result, we are continuing to progress a variety of regulatory actions and have also commenced a comprehensive review of Crown's internal control statements in respect to junkets and premium players.

Our review of the circumstances surrounding the arrest of Crown staff in China continues and has involved the Commission undertaking further interviews and reviews of additional documentation.

We continue to carefully monitor the progress and developments of other inquiries, investigations and court proceedings relating to Crown. This will inform any regulatory action which may be required and which may relate to the work done to date by the Commission.

Throughout the year we continued to monitor Crown's implementation of the 20 recommendations in the *Sixth Review of the Casino Licence and Operator (Sixth Review)*. To date, responses to all recommendations that were due have been submitted by Crown and the Commission has undertaken a thorough assessment of each response.



## Our performance

A new Statement of Expectations (SOE) was issued to us by the Minister to promote greater efficiency and effectiveness in the administration and enforcement of regulation. Work is well progressed to deliver on the SOE's objectives.

The Victorian Auditor General's Office (VAGO) completed a follow-up performance audit of the VCGLR which was tabled in parliament in November 2019, *Follow up of Regulating Gambling and Liquor*.

The report validated the significant progress we made implementing the recommendations outlined in the 2017 VAGO audit and reflected our commitment to operating as a modern, effective and efficient regulator.

In pursuit of continuous improvement in the way we regulate, we commissioned a detailed independent review of our risk-based approach to examine our effectiveness as a regulator. The report found that our risk-based approach "compares favourably" with other regulators and commended us on our work. The report also identified opportunities for further improvement which will be pursued in 2020–21.

We also undertook an evaluation of our two regional hubs in Sale and Ararat (which were established in 2018) to understand the impacts they have had on our ability to target high-harm risks across the state. The evaluation confirmed the positive contribution of the hubs in minimising gambling and alcohol-related harm in the regions.

## Our people

We work in a highly complex environment, and as a modern regulator, having the right expertise to ensure the best possible advice, regulation, compliance and industry support has never been more critical. We require a workforce who can respond to increasing demands on our services, a changing regulatory landscape and growing community and industry expectations.

In May 2020, we launched our new Workforce Strategy to guide the development of a flexible, capable, talented and highly skilled workforce, ready to adapt to future challenges.

Our Workforce Strategy focuses on ongoing capability building, a continued emphasis on strengthening leadership and commitment as a values-based organisation. In the first year we will develop and deliver a tailored mental health training program, an annual program of leadership development, and prioritise equipping staff with the tools, skills and support they need to operate in a more flexible and physically distanced working environment.

## The future

The coronavirus (COVID-19) pandemic will have significant consequences for all government entities as we navigate changing operating environments and increased public scrutiny and accountability.

Our own budget pressures and economic sustainability will continue to inform and impact our strategic planning and our operations in the coming year.

We remain committed to a flexible operating model focussed on the principles of integrity, harm minimisation, and the promotion of economic development in the industries we regulate through a regulatory approach that is risk-based and targeted.

A new Corporate Plan 2020–23 will set the strategic direction of the VCGLR, underpinned by strong governance and oversight.

We look forward to working with our responsible Minister as we navigate the challenges and opportunities in the coming year. We thank our dedicated and hard-working staff for their efforts and resilience over the last year.



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 the gambling and liquor industries and ensuring compliance with relevant legislation. We also inform industry and the public about our regulatory practices and requirements.**

With oversight of approximately 23,500 liquor licences, more than 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 790 lottery agents and a single casino operator. Each year we assess and determine more than 6,000 gambling applications such as gaming industry employees, casino special employees and venue operator licences as well as overseeing bookmakers, community and charitable gaming, sports controlling bodies, wagering and regulating public lotteries.

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

The Chairperson convenes and presides at commission meetings and is also the public service body head for the purposes of the *Public Administration Act 2004* with respect to employment matters. In conjunction with the Chief Executive Officer (CEO), the Chairperson and other Commissioners determine and oversee arrangements for the internal governance of the VCGLR to ensure clear lines of accountability and reporting, a consistent approach to decision-making, disciplined performance, and ethical, transparent relationships with stakeholders. The Commission operates three governance committees: people and culture; audit and risk management; and legislation, regulation and policy.

# 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 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 Victorian 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 of experience as a barrister. She is also a member of the National Sports Tribunal and a nationally accredited and advanced mediator at the Victorian Bar. She has also been a director of the Skin Health Institute and chairperson of their governance committee. Prior to this she was a panel 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 ADR 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 forty 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 chairs 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.



**Dr Dina McMillan**  
**Outgoing Commissioner**

Dr Dina McMillan served as a Commissioner from November 2016 until November 2019.

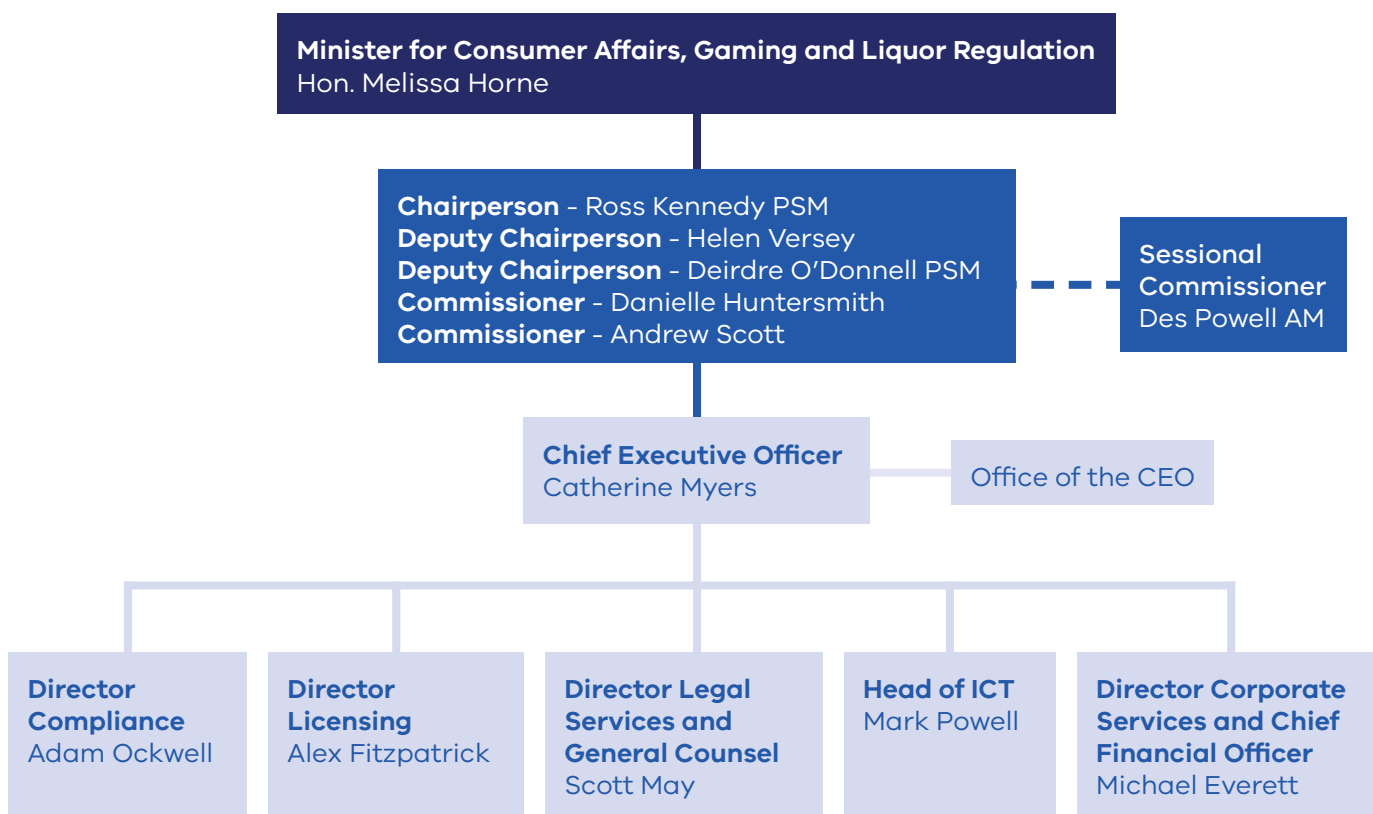


**Catherine Myers**  
**Chief Executive Officer**

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 both 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.



## Office of the CEO

The CEO is responsible for the performance of the organisation and has established systems and processes to track and report on the progress of VCGLR commitments, assessing the effectiveness of its work and aligning its resources with organisational priorities.

The CEO leads and manages the organisation and reports into the Commission.

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

## 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 customers and external stakeholders, and to protect the organisation's systems against security threats. Along with supporting applications and technologies, ICT works to maintain and update technology to meet business needs while ensuring value for money.

The division provides day-to-day services as well as driving long-term projects to improve technological capabilities such as online and mobile services, upgrading infrastructure and enhancing business intelligence.

## Compliance

The Compliance Division is responsible for auditing, inspecting, educating, monitoring, and enforcing compliance with Victoria's gambling and liquor legislation. This is achieved using a risk-based, intelligence-led approach to identify and manage risks and harms. This targeted approach is designed to ensure the focus is on high-harm risks and the regulation of entities is commensurate with the level of risk they pose to the community.

Gambling and liquor inspectors are responsible for inspecting licensed premises and gambling activities across Victoria to ensure regulated entities are aware of and comply with their obligations. Dedicated teams within the division focus on probity and investigation of complaints, as well as monitoring the legislative obligations of Crown Casino. System audits are also performed on major licensees (wagering, Keno, lotteries) to check approved procedures and controls are in place. The division's Education unit leads outreach activities to industry through targeted education campaigns, developing and managing training programs and managing the VCGLR's involvement in liquor forums, accords, and industry and community-related events.

The division works collaboratively across the organisation and has recently established an Enforcement Committee to oversee and make recommendations concerning the conduct, strategy and focus of major non-compliance matters, as well as other significant enforcement actions and investigations. The division also has a continued focus on effective stakeholder engagement with external partners. Partner agencies include law enforcement, regulatory bodies, local municipal authorities and other state and federal government entities. This focus has resulted in increased and improved engagement, as well as the formalisation of several operational and information sharing arrangements with external bodies.

## Licensing

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

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

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

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

Oversight and management of Victoria's major gambling licences (see page 39 for details) is also a key responsibility of the division. This is achieved through relationships with major licensees and key industry stakeholders, monitoring performance and compliance with licences and identifying and managing risks to achieve positive regulatory outcomes.

## Legal Services

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

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

Legal Services provides advice to staff and Commissioners and implements Victorian Government policy in gambling and liquor regulation, as well as assisting the Commission to operationalise any legislative and regulatory reforms.

The division also delivers regulatory strategy services to assist the Commission to develop innovative and effective regulatory practices. It considers and implements contemporary regulatory theory and practices. It also has a stakeholder management role liaising and collaborating with government, other regulators and researchers.

## Corporate Services

The Corporate Services Division provides internal service support across the organisation including finance, business services, people and culture, governance, 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 \$1.6 billion per annum. The division leads procurement and records management for the organisation as well as facilities management and office administration. The people and culture functions are also carried out by the division, including staff development, industrial and employee relations, payroll and occupational health and safety. The governance and risk functions of the division ensure the organisation's compliance with whole-of-government governance frameworks and policies. The division also manages the organisation's internal and external communication functions including media relations, branding and digital communication.



# 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 *Public Administration Act 2004 (PA Act)*.**

Our four values – aligned with the values in the PA Act – guide behaviours and decision-making and 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 individuals, strengthens our capacity to operate effectively and achieve our objectives, and 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.

These values are:

## WORK TOGETHER



### 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



### 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



### 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.

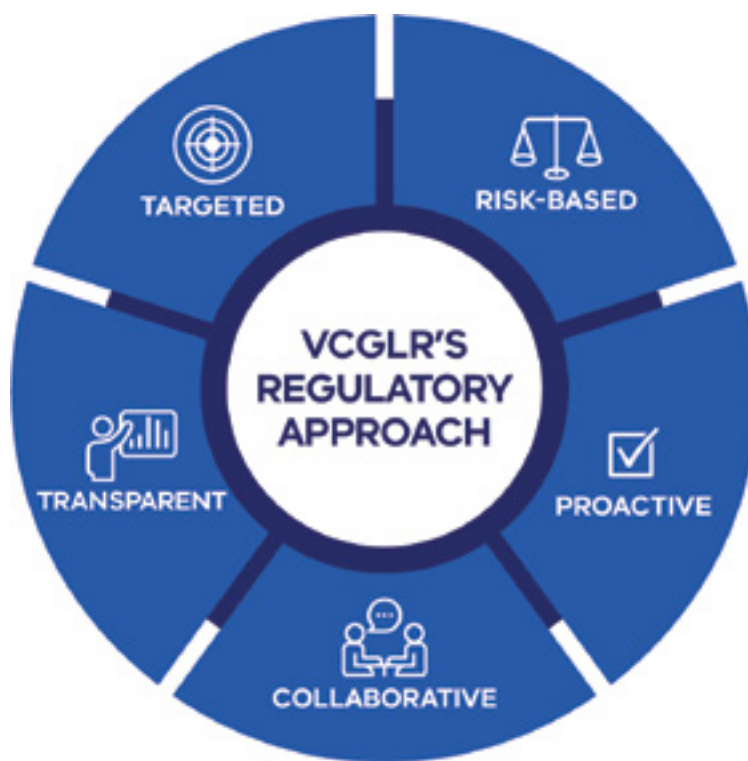
## MAKE IT HAPPEN



### 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 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.

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

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

## RISK-BASED

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 the 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.

More information about our Regulatory Approach can be found on our website, see: [Regulatory Approach](#)

# THE COMMISSION

The objective of the Commission is to deliver balanced and consistent regulatory decision-making for gambling and liquor matters.

The Commission conducts meetings and inquiries and publishes details of all [upcoming public inquiries](#). Unless confidentiality considerations apply, the Commission generally holds public hearings on matters such as:

- approval for proposed gaming premises
- requests for increased gaming machines
- contested liquor licence matters
- disciplinary inquiries
- reviews of decisions made by a single commissioner or delegate of the Commission.

## COMMISSION MEETINGS, INQUIRIES AND HEARINGS

Under the VCGLR Act, the Commission may exercise its functions by convening a meeting or arranging an inquiry. This year the Commission received 84 matters. This is an increase compared to 2018–19. Since the Declared State of Emergency, there have been eight hearings conducted by teleconference or video conference. The Commission publishes its reasons for decision in relation to most inquiries it conducts on its website and the Australasian Legal Information Institute website.

Table 1 – Commission meetings, inquiries and hearings 2019–20

Inquiries	Received	Hearings <sup>1</sup>	Matters Determined <sup>2</sup>	Matters concluded <sup>3</sup>
Casino – appeal against self-exclusion order	3	3	5	0
Gambling – appeal	5	4	4	1
Gambling – disciplinary action (major licensee)	1	0	0	0
Gaming – new premises	2	2	2	1
Gaming – electronic gaming machine increase	2	2	0	1
Gaming – variation to venue operator licence condition	10	0	3	0
Liquor – contested application	6	0	1	0
Liquor – internal review	53	23	18	9
Liquor – disciplinary or amenity inquiry	1	5	2	0
Liquor - application to revoke barring order	1	0	1	0
<b>Total 2019–20</b>	<b>84</b>	<b>39</b>	<b>36</b>	<b>12</b>
<b>Total 2018–19</b>	<b>66<sup>a</sup></b>	<b>48</b>	<b>59</b>	<b>17</b>

<sup>1</sup> Private and Public Hearings, Direction Hearings and Preliminary Conference

<sup>2</sup> Not all applications are necessarily determined in the same financial year as they are received and may include applications

<sup>3</sup> Matters concluded without a decision, withdrawn by applicant or cancelled as found to be invalid.

<sup>a</sup> An error was reported in the 2018–19 data. The figure reported was 65 and should have been 66.

Meetings	
Regular	12
Special	1
<b>Total 2019–20</b>	<b>13</b>
<b>Total 2018–19</b>	<b>14</b>
Single Commissioner decision under delegation	15

To assist in fulfilling its governance functions, the Commission operates with three committees. The Audit and Risk Management Committee is chaired independently by David Boymal AM, while the other committees are chaired by a Deputy Chairperson of the Commission. The operation of these committees ensures appropriate oversight and governance of critical areas of the organisation's operations.

Appendix eight contains further details of each committee.

**Table 2 – Commission committee meetings**

Commission committee	Number of meetings
Audit and Risk Management Committee	4
People and Culture Committee	3
Legislation, Regulation and Policy Committee	5
<b>Total</b>	<b>12</b>

An aerial, black and white photograph of a city skyline. The image shows a dense cluster of skyscrapers on the left side, transitioning into a large, green park area on the right. A river or canal flows through the center of the city. In the foreground, there are several large, modern buildings, including a prominent one with a curved facade. The overall scene is a mix of urban development and natural green space.

# YEAR IN REVIEW

# MILESTONES

Key VCGLR milestones and external influences on operations throughout 2019–20



### ○ MARCH 2020

Inaugural Major Sports Venue Forum initiated with major venues across Melbourne and Geelong.

Successful prosecution of entity for unlicensed sale of liquor.

Major investigation finalised and charges laid against a Bingo Centre for unauthorised gambling and breaches of the GR Act.

### ○ APRIL 2020

Commencement of risk-based Electronic Gaming Machine (EGM) products framework.

Responsible Service of Alcohol (RSA) training via virtual classroom by Registered Training Organisations approved.

### ○ MAY 2020

Regional hubs evaluation completed.

### ○ JUNE 2020

New online objection to a liquor licence application launched making it easier for the public to lodge an objection to a liquor licence application.

Established partnership with state government agencies to respond to Chief Health Officer Directions.

Victorian RSA training consultation complete and revised model approved by Commission.

Evaluation of VCGLR's risk-based approach completed.

Successful prosecution of one entity for allowing minors on licensed premises and gambling in an EGM area.

Successful prosecution of a minor for gambling offences.

### ○ APRIL 2020

2018–19 gaming venue supervision charges postponed to 31 January 2021.

### ○ JUNE 2020

Inspectors appointed as authorised officers under the *Public Health and Wellbeing Act 2008* to respond to coronavirus breaches.

### ○ MARCH 2020

Ministerial Direction about responsible gambling codes of conduct for venue operators comes into effect.

Deferral of venue operator gaming taxes announced.

2020 Liquor licence fees waived.

### ○ MAY 2020

Ministerial Direction incorporating harm minimisation provisions from the National Consumer Protection Framework comes into effect.

# PERFORMANCE REPORTING

**The medium-term organisational objectives and performance measures of the VCGLR are reported against key performance indicators and expectations of government including the Minister's Statement of Expectations, 2019–20 State Budget Paper No. 3 (BP3) and the VAGO *Follow up of Regulating Gambling and Liquor* report.**

Other reporting measures include our performance against key organisational outputs outlined in our VCGLR 2017–20 Corporate Plan and activities relating to our enforcement and compliance activities, and major licensee monitoring and regulation. This year we have also reported against reviews related to our risk-based approach and our regional hubs, as well as the impacts of coronavirus (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 Statement of Expectations (SOE) on 1 July 2019. This SOE applies for the period 1 July 2019 to 30 June 2021, or until 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:

- make it easier for the Victorian Responsible Service of Alcohol certification to be recognised outside of Victoria, and vice versa
- implement a risk-based framework to triage new gambling product licence applications
- increase the proportion of compliance inspections undertaken at high-risk times, as identified by the compliance risk prioritisation tool
- increase the proportion of compliance inspections undertaken at high-risk premises, as identified by the compliance risk prioritisation tool
- improve the ability of people to access YourPlay by raising awareness of the obligation on venue operators to issue registered player cards on request
- develop and implement a new software solution to better triage incoming contacts with the Commission, enabling more efficient responses to requests for information
- engage in preliminary consultation with me (the Minister) about any policy matters (such as technical standards) that may require my (the Minister's) approval prior to undertaking substantive or new work and consultation.

As outlined below, progress was made across several targets set out in the SOE.

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

We completed a review of the current Victorian RSA training program with the Department of Justice and Community Safety. The review suggested that the Commission consider replacing the current Victorian RSA certification with the nationally accredited unit of competency – SITHFAB002 Provide Responsible Service of Alcohol (SITHFAB002) and allow it to be delivered online.



In early 2020, consultation with Registered Training Organisations (RTOs) and other key stakeholders was undertaken to gain input into a revised RSA training model for Victoria. Over 64 RTOs and stakeholders participated in face-to-face and online consultation sessions. As part of the consultation, participants were asked to consider a proposed move to SITHFAB002 and the online delivery of training. The feedback informed the Commission's consideration at its June 2020 meeting.

The Commission approved the proposed improvements to the way RSA training will be delivered in Victoria. As a result, in 2020-21, the RSA training delivery model will transition to recognise SITHFAB002 and the online delivery of training. These changes will ensure that those with interstate RSA certifications can complete the free VCGLR refresher course to have their interstate qualification recognised in Victoria, and Victorians can more easily have their qualification recognised interstate.

### **Implement a risk-based framework to triage new gambling product licence applications**

In April 2020, the risk-based Electronic Gaming Machine (EGM) products framework commenced operation. The framework applies to applications related to gaming machines and gaming machine games. Further details can be found in the Risk-based approach section of this report.

### **Increase the proportion of compliance inspections undertaken at high-risk times, as identified by the compliance risk prioritisation tool**

In 2019-20, almost 16 per cent of inspections were conducted during high-risk times. This is a slight decrease from the previous year's figure of just over 18 per cent, due to the closure of venues during the coronavirus (COVID-19) response. While inspections continued during this time, the closures and change to business operations prevented inspections being conducted during high-risk times. In March 2020, just prior to restrictions being imposed, the figure reached 18.08 per cent. Further details can be found in the Risk-based approach section of this report.

### **Increase the proportion of compliance inspections undertaken at high-risk venues, as identified by the compliance risk prioritisation tool**

In 2019-20, a revised intelligence framework was implemented across our compliance operations to improve data handling and analysis. We analysed data from internal and external sources, utilised geocoding tools and implemented a risk-based, intelligence-led compliance model to determine high-harm risks within the gambling and liquor industries. This data was then provided to a dedicated tasking and coordination committee to allocate resources targeting high-harms and high-risk venues to ensure we prioritised our compliance response.

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

In 2019-20, we undertook inspections to understand venue operators' knowledge of YourPlay. This intelligence has been used to develop a draft education campaign, focused on raising awareness among venue operators of their obligation to issue registered player cards on request. Key components of the campaign will be new education materials and resources to support venue operators and gaming staff to improve their understanding and compliance with this obligation. The campaign will be launched in 2021.

### **Engage in preliminary consultation with (the Minister) about any policy matters (such as technical standards) that may require (the Minister's) approval prior to undertaking substantive or new work and consultation**

We have created new guidelines to help staff understand when briefings should be developed for the Minister advising of relevant policy or other matters requiring the Minister's approval. The guidelines also outline the circumstances in which the Minister should be briefed and given background information about key events or aspects of our regulatory activity.

# STATE BUDGET PAPER NO. 3

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, including how these support the government's strategic priorities and objectives. The performance measures established for the VCGLR fall under the output group *Industry Regulation and Support: Gambling and Liquor Regulation and Racing Industry Development*. This output group delivers activities relating to the regulation of the gambling and liquor industries, harm minimisation, and support and development of the racing industry.

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

An ongoing high demand for Proof of Age (POA) cards contributed to an increase of almost 12 per cent on our target for gambling and liquor applications and licensee monitoring activities. We responded to a spike in demand for POA cards by moving from monthly to weekly processing and printing of cards.

The devastating effects of the coronavirus (COVID-19) on the gambling and liquor industries reduced our gambling and liquor inspections across both metropolitan and regional areas. This was impacted by the closure of many licensed venues, a temporary suspension of in-venue inspections and the redirection of staff resources to support State Government (DHHS) coronavirus (COVID-19) compliance activities which are not counted as a BP3 measure.

Our ability to undertake operations with co-regulators was also significantly hampered by both the Victorian bushfires in regional Victoria and coronavirus (COVID-19). A decrease in targets for our audit of casino operations can also be attributed to the closure of the Melbourne casino during this time.

While coronavirus (COVID-19) impacted our court and regulatory actions target, we anticipated that this target would not be met. We have provided alternative measures to DJCS for consideration which will better represent our intent to achieve industry compliance through our risk-based approach to regulation.

In 2020 we used our digital communication channels to encourage licensees to undertake our annual stakeholder satisfaction survey and had an increase of 36 per cent in responses with 1,018 licensees and stakeholders participating.

## BP3 OUTPUT PERFORMANCE MEASURES

Table 3 – VCGLR BP3 outputs for 2019–20

Performance measures	Unit of measure	2019–20 Target	2019–20 Actual	Variance (%)
<b>Quantity</b>				
Gambling and liquor applications and licensee monitoring activities (VCGLR)	number	50,000	55,917	11.83
Gambling and liquor information and advice (VCGLR)	number	128,000	128,611	0.48
Gambling inspections completed by the VCGLR – metropolitan	number	1,350	1,150	(14.81)
Liquor inspections completed by the VCGLR – metropolitan	number	5,400	4,649	(13.91)
Gambling inspections completed by the VCGLR – regional	number	250	135	(46)
Liquor inspections completed by the VCGLR – regional	number	1,500	823	(45.13)
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated - metropolitan	number	15	3	(80)
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated – regional	number	5	3	(40)
Gambling and liquor inspections conducted at high risk times	per cent	12	12	0
Audits of casino operations undertaken by the VCGLR	number	1,260	1,171	(7.06)
Court and regulatory actions undertaken by the VCGLR	number	3,440	1,086	(68.43)
<b>Timelines</b>				
Calls to VCGLR client services answered within 60 seconds	per cent	80	75.31	(4.69)
Gambling and liquor approvals, licence, permit applications and variations completed within set time (VCGLR)	per cent	85	94.42	9.42
<b>Quality</b>				
Liquor and gambling licensing client satisfaction (VCGLR)	per cent	85	88	3

## APPLICATION DETERMINATION TIMES

We aim to determine 80 per cent of gambling and liquor approvals and licence and permit applications within set time frames. In 2019–20 we exceeded this measure.

Table 4 –licensing outputs for 2016–17, 2017–18, 2018–19 & 2019–20

Performance measure	Target (%)	Target achieved 2016–17 (%)	Target achieved 2017–18 (%)	Target achieved 2018–19 (%)	Target achieved 2019–20 (%)
Gambling and liquor approvals, licence and permit applications and variations determined by VCGLR within set times	80	94.3	94.2	94.9	94.4
Licensing activity	Set time (days)	Target achieved (%)	Target achieved (%)	Target achieved (%)	Target achieved (%)
Venue operator’s licence	115	95.2	98.3	98.3	97.7
Minor gaming permit	5	71.9	64.8	73.5	78.0
Gaming industry employee and casino employee licence	11	92.9	90.5	92.1	90.8
Declaration as community or charitable organisation	21	84.1	81.3	80.8	82.9
Application for permanent liquor licence	77	96.4	96.7	97.0	96.8
Application for a BYO permit	46	85.7	90.7	93.5	98.2

# VAGO FOLLOW UP REPORT

**The Victorian Auditor General's Office (VAGO) tabled its *Follow up of Regulating Gambling and Liquor* report in State Parliament on 28 November 2019.**

The report validated the significant progress we have made implementing the recommendations detailed in the 2017 VAGO audit, many of which were already underway at the time of the original audit.

The report confirmed some of our significant achievements as a risk-based regulator including the development and implementation of a risk-based licensing framework, a risk-based framework to assess and determine gambling-related applications, and a risk-based model to assess gaming machine types and games.

Our comprehensive risk tools and decision-making frameworks guide the assessment of both gambling and liquor risks and harm, ensuring consistency in our decision making and the best use of our resources.

Close cooperation with co-regulators and collaborative enforcement approaches have been implemented, including joint operations and a Joint Enforcement Strategy with Victoria Police and a Memorandum of Understanding with the Australian Transaction Reports and Analysis Centre (AUSTRAC).

Oversight of the Melbourne Casino was enhanced to support the ongoing regulation and monitoring of Crown, including:

**a dedicated team that operate from within Crown seven days a week**

**a dedicated audit and investigations team that reviews and assesses Crown's casino activities**

**a comprehensive and thorough review of Crown's operations every five years.**

Of the 13 recommendations made by VAGO, eight have been completed with the remaining recommendations in progress. We continue to implement additional improvements since the release of the report including:

- development of additional liquor licence assessment templates for high-volume licence types, to mitigate common data entry error; and adopting a targeted sample methodology for our annual monitoring program
- exploration of working with the Australian Securities and Investments Commission to create an interface to notify us of changes to company directors or associates of corporate licensees
- incorporation of our risk rating process into licensing systems to ensure that sub-factor details are recorded
- improving supervision of casino operations by defining key risks regarding casino operations and linking regulatory work performed by VCGLR and other co-regulators to mitigate such risks, creation of a co-regulators reference tool for staff and stakeholders, and development of a communication strategy for casino regulators to enable effective engagement with state and federal agencies.

# COMPLIANCE AND ENFORCEMENT

The aim of our enforcement regime is to achieve high levels of voluntary industry compliance and to 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.

## ENFORCEMENT OUTCOMES

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

This year we successfully prosecuted seven entities for contravening gambling and liquor legislation.

### Major investigations

Throughout the year we undertook a series of complex investigations into some of Victoria's largest Bingo Centre Operators (BCO) as part of our Compliance Operational Strategy. The aim was to focus on the operations and compliance of BCOs with the GR Act including:

- payment of funds to community or charitable organisations
- appropriate record keeping
- submission of annual returns to the Commission as required.

The investigations have included extensive auditing of financial and record-keeping data for each of the BCOs, as well as reviews of directors and owners of companies operating bingo centres. Investigations are ongoing into several BCOs. Charges have been filed against two BCOs for breaches under the GR Act and we anticipate court hearings to be conducted during 2020-21.

## NATURE OF CONTRAVENTION

## OUTCOME

<b>11 JULY 2019</b>	Envy Cocktails Pty Ltd (trading as Envy Cocktail Lounge in Croydon) and an 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	Convicted, fine of \$2,500 and to pay \$184.40 in legal costs to VCGLR.  Individual fined \$3,500 and to pay \$184.40 in legal costs to VCGLR.
<b>5 AUG 2019</b>	9S Food Pty Ltd (trading as 9S Food, We Are Nice in Ballarat): Inspectors observed liquor being sold and exposed for sale while the defendant was not the holder of a liquor licence, contrary to section 107(1) of the LCR Act	Fine of \$500 and to pay \$84.40 in legal costs to VCGLR.
<b>6 FEB 2020</b>	Sale Turf Club Inc. (trading as Sale Racecourse in Sale): Inspectors observed the venue had permitted a drunken person to be on the premises, contrary to section 108(4)(b) of the LCR Act	The Magistrate ordered a Diversion Order requiring the defendant donate \$800 to a charity, pay \$400 in legal costs to VCGLR and be of good behaviour for a six-month period.
<b>20 FEB 2020</b>	Torpe Espresso Pty Ltd (operating as Torpe Café in Armadale): Inspectors observed liquor being sold and exposed for sale while the defendant was not the holder of a liquor licence, contrary to section 107(1) of the LCR Act	The Magistrate ordered a Diversion Order requiring the defendant donate \$2,000 to a charity, pay \$400 in legal costs to VCGLR, write an apology letter and be of good behaviour for a six-month period.
<b>4 MAR 2020</b>	Swan Reach Hotel-Motel (trading as Swan Reach Hotel Motel in Swan Reach): Inspectors observed liquor being sold and exposed for sale while the defendant was not the holder of a liquor licence, contrary to section 107(1) of the LCR Act	The Magistrate ordered a Diversion Order requiring the defendant donate \$1,000 to a charity, pay legal costs of \$400 to VCGLR, write an apology letter and be of good behaviour for a three-month period
<b>18 JUN 2020</b>	Bairnsdale Bowls Club Inc. (trading as Bairnsdale Bowls Club in Bairnsdale): Inspectors observed minors in the gaming machine area, contrary to section 10.7.6(1) of the GR Act and on a licensed premises, contrary to section 102(1) of the LCR Act and allowing minors to gamble, contrary to section 10.7.3(1) of the GR Act	The Magistrate ordered a Diversion Order requiring the defendant donate \$1,000 to a charity, pay VCGLR's legal costs, ensure adequate signage at the venue and provide a list of measures to be implemented by the Licensee to ensure minors are neither encouraged or allowed to gamble.
<b>19 JUN 2020</b>	Individual: Inspectors observed a minor gambling, contrary to section 10.7.5 of the GR Act and using a fake ID at a TAB outlet and also using an Electronic Betting Terminal (EBT) at a licensed hotel, contrary to section 10.7.8 of the GR Act	The Magistrate ordered a Youth Diversion Program requiring the defendant participate in restorative discussions about the impacts of gambling and write a reflective letter.

# COMPLAINTS

**We regulate businesses focusing on the people, premises, products and promotions involved in supplying gambling and liquor.**

Through our online complaints process, we investigate breaches under several Acts including the LCR Act, GR Act and the CC Act.

Complaints received are handled systematically to ensure investigative policies and procedures are followed via a four-step process:



The top five complaint allegations received were in relation to RSA, amenity (noise), wagering, licence conditions and amenity (patron behaviour). Complaints can be made by individuals and can be made anonymously.

We received a total of 1,508 complaints from the public in relation to licensed venues across Victoria, with 95 per cent of these received via our online complaints form. Formal investigations were completed in relation to 1,230 of the total complaints received. Investigations can include working with co-regulators such as Victoria Police, the relevant local council or the Environmental Protection Authority (EPA).

An additional 448 complaints were received related to Chief Health Officer (CHO) Directions and licensed venues. Of these, 442 were received via referral from Victoria Police.



# VOLUNTARY COMPLIANCE INCENTIVES

## DEMERIT POINTS

Victoria's liquor licence demerit points system encourages voluntary compliance with liquor laws and responsible business practices. The system also fosters a responsible liquor industry. Under the system, licensees incur demerit points where there has been a serious non-compliance incident. Not all breaches attract demerit points however, incidents such as supplying liquor to an intoxicated person, permitting a drunk person on the licensed premises, or supplying liquor to an underage person on the 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 threshold number of demerit points (5, 10, and 15 demerits).

	2020	2019	2018
<b>Demerit points</b>	54	76	71
<b>Number of venues</b>	35	57	54

At 30 June 2020, 54 demerit points were recorded across 35 different venues, compared with 76 demerit points across 57 different venues at 30 June 2019, and 71 demerit points across 54 venues at 30 June 2018. Under the LCR Act, current licensees whose premises incur a demerit point cannot apply to have the demerit point removed. New licensees can do so however. There were 17 demerit points which expired for 13 licences within the most recent reporting period.

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 additional breaches.

### Case study – Bass Lounge demerit points

In October 2019, we banned the sale of liquor for 24 hours at a Melbourne karaoke bar after it recorded a fifth demerit point for non-compliance. As a result, the venue was banned from selling liquor for a 24-hour period from 7 am on Friday 4 October 2019.

The case of Bass Lounge is the first instance where a demerit points threshold has been reached by a licensee in Victoria. A second venue closure notice for another Melbourne karaoke bar is on hold due to the current coronavirus (COVID-19) restrictions.

## 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. Non-compliance incidents target serious breaches of the LCR Act and do not include minor breaches such as administrative breaches. When introduced in 2012, all liquor licences were given a three-star rating and subsequently, any new licences start with three-stars.

In 2020, 18,341 (or 80.2 per cent) of liquor licensees received a 10 per cent discount on their annual liquor licence renewal fee as a result of holding a five-star rating with the VCGLR. A further 1,305 (or 5.7 per cent) of licensees with a four-star rating received a five per cent discount on their 2020 annual liquor licence renewal fee.

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.

Sexually explicit entertainment venues are not eligible to receive discounts under the scheme.

# RISK-BASED APPROACH

**We continue to develop and implement risk assessment tools and decision-making processes to deliver accurate and objective risk assessments as part of our risk-based approach to regulation.**

These tools and processes are designed to enhance our capacity to manage the risks that premises may pose and make better decisions about the regulation and supervision of high-risk licensed premises. 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 such applications.

We also apply a risk-based approach to our compliance activities. Our risk-based, intelligence-led approach to compliance activities ensures resources are targeted where they are most needed. This approach maximises intelligence we hold to determine where the highest risks are and develop strategies to target and mitigate those risks.

In June 2020 the Framework Implementation Project, a three-year initiative funded out of the 2017–18 Victorian State Budget, concluded. This project oversaw the implementation of three new risk-based frameworks for licensing the gambling and liquor industry in Victoria.

## RISK-BASED GAMBLING FRAMEWORK

In July 2019, the Risk-based Gambling Framework commenced operation. The framework applies to gambling applications where the suitability of a person or company to be involved in the gambling industry is assessed. The framework provides our staff with a risk assessment for each application based on the offence history, regulatory history, financial matters and legal action taken in respect to the applicant. This helps our staff to identify areas for further investigation, with the aim of ensuring only suitable persons are licensed and the gambling industry is free from criminal influence and exploitation. The commencement of this framework complements the Risk-based Liquor Framework, which commenced in July 2018, to support our role as a risk-based regulator.

## RISK-BASED ELECTRONIC GAMING MACHINE PRODUCTS FRAMEWORK

In April 2020, the Risk-based EGM Products Framework commenced operation. The framework applies to applications related to gaming machines and gaming machine games. The framework is designed to support the early identification of risks and ensure that each application is effectively triaged to the appropriate staff member for assessment based on the individual characteristics or features of the product or application.

The assessment process for gaming machines and gaming machine games is complex, and requires consideration of relevant legislation, regulations, technical standards and Ministerial Directions. As the range of applications relating to these products varies considerably in terms of risk level — from low (for example, minor hardware changes), to high (for example, new games with complex features) — we have implemented a triage process to ensure that applications posing a higher risk are allocated to our staff with appropriate technical expertise and skills are subject to further scrutiny and that risks are identified, considered and mitigated.

## RISK-BASED FRAMEWORKS AND APPROACH

Since the commencement of the risk-based frameworks, our resources have been increasingly dedicated to the assessment of medium and high-risk applications, while also supporting the development of vibrant, responsible gambling and liquor industries through the efficient determination of low-risk applications. This is demonstrated by the average time to finalise low-risk applications compared to that of medium and high-risk applications.

On 30 July 2018, the Risk-based Liquor Framework came into operation. During the first 18 months of the framework, low-risk applications were determined 30.38 per cent faster than medium and high-risk applications.

On 1 July 2019, the Risk-based Gambling Framework came into operation. During the first six months of the framework, low-risk gambling applications were determined 69.98 per cent faster than medium and high-risk applications.



### RISK-BASED LIQUOR FRAMEWORK

low-risk applications determined **30.38 per cent faster** than medium and high-risk applications



### RISK-BASED GAMBLING FRAMEWORK

low-risk applications determined **69.98 per cent faster** than medium and high-risk applications

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

## RISK-BASED COMPLIANCE

Our regulatory approach uses a risk-based, intelligence-led compliance model to manage and mitigate risks posed by the gambling and liquor industries. It aims to regulate entities according to the level of risk they pose to the community. Internal and external intelligence resources are used to determine high-harm risks, so they can be addressed accordingly.

Using this model, we were able to identify alcohol-related issues at karaoke venues throughout Melbourne and surrounding suburbs. Our High-Risk Liquor Team implemented a targeted approach, using data and working collaboratively with Victoria Police State Liquor Unit.

This resulted in serious high-harm breaches detected at several venues including allowing a minor on licensed premises, supplying liquor to an intoxicated patron and permitting a drunk patron to remain on the premises. We issued five infringement notices to two venues with a demerit point attached to each offence. The breaches detected were of such a serious nature that both venues incurred five demerit points each, resulting in a 24-hour closure notice.

<sup>1</sup> The HiVE is our digital risk-prioritisation tool that delivers accurate and objective risk assessments, to assist the organisation to assess risk and where to target activities and resources.

## EVALUATION – RISK-BASED APPROACH

As a maturing risk-based regulator, in 2019–20, we commissioned an independent evaluation of our approach to enable the Commission to understand the appropriateness of its design, the efficiency and effectiveness of the its delivery, and to identify improvements that can be made to future delivery.

The evaluation confirmed and endorsed our adoption and maintenance of a risk-based approach to regulation and identified opportunities for improvement that we will pursue in 2020-21.

*“The design of the [VCGLR’s] risk-based approach is consistent with ... harm minimisation and facilitating industry growth. The design of the VCGLR’s risk-based approach compares favourably with regulatory approaches described by or observed in other regulators...the VCGLR should be commended for its work.”*

Improvement opportunities for the VCGLR include:

- provide communication and develop a consistent message at the executive level regarding what the risk-based approach is, why it is important and how it is applied
- embed a review process which systematically and regularly reviews the risk-based approach including the associated tools
- address data limitations to enable the full use of HiVE<sup>1</sup>
- continue capturing internal data in order to measure progress of program aims
- develop training materials on the risk-based approach.

# FOCUS ON HARM MINIMISATION

**We have maintained our focus on harm minimisation and high-harm risks with a targeted approach to inspections conducted at high-risk venues during high-risk times. This resulted in the identification of many legislative breaches resulting in appropriate enforcement action.**

With the commencement of coronavirus (COVID-19) restrictions, we adapted our operations in response to changing developments; however, the focus remained on harm minimisation. To support this, we actively participated in a joint agency approach to monitoring and enforcing CHO Directions. We partnered with the Department of Health and Human Services (DHHS), Victoria Police, Worksafe and Business Victoria. The intent of the approach is to work together to enhance the safety of patrons, employees and employers in the hospitality industry, as well as the general health and safety of the community.

Under the partnership approach, we receive direct referrals from Victoria Police or complaints from members of the public regarding licensed premises via our website. These matters are then referred to the Complaints team where they are assessed against the CHO Directions and coronavirus (COVID-19) requirements for future action to be determined. Matters referred to operational teams are investigated, and appropriate action is taken. We have taken an educative approach to the handling of these matters, with enforcement action only taken if it is deemed to be appropriate based on the severity of the identified breach, in line with our Statement of Regulatory Intent.

## HIGH-RISK INSPECTIONS

We aim to focus on inspections during high-risk times, which research suggests are between the hours of 10pm and 7am or during designated high-risk events. In 2019–20, almost 16 per cent of inspections were conducted during high-risk times. This is a slight decrease from the previous year's figure of just over 18 per cent, due to the closure of venues during the coronavirus (COVID-19) response. In March 2020, just prior to restrictions being imposed, the figure reached 18.08 per cent. This approach continues to enable us to focus our resources where they will be more effective in ensuring compliance with legislation and detecting and reducing harms.

A significant number of breaches detected through this targeted approach at high-risk venues included: the supply of liquor to intoxicated persons, permitting a drunken or disorderly person on licensed premises, supplying or permitting gambling or liquor to be supplied to a person under 18 and permitting a person under 18 on a liquor licensed premises or within a gaming machine area.

## BREACH-TO-ENFORCEMENT RATE

The breach-to-enforcement rate measures the proportion of breaches which result in enforcement action being taken, including letters of censure, disciplinary actions and prosecutions.

The graduated enforcement response determines the most appropriate action to take against a regulated entity, ranging from education to prosecution. As such, not all breaches will result in enforcement action being taken against the licensee or venue operator.

During 2019–20, this rate averaged 90.81 per cent, indicating that most identified breaches resulted in some form of enforcement action being taken in line with our graduated response to enforcement. These results are across a range of breaches related to gambling and liquor activities.

# REGIONAL PRESENCE

Our statewide presence, through our regional hubs in eastern and western Victoria, is enabling our inspectors to better detect high-harm breaches in regional areas and has been highly effective in contributing to safer gambling and liquor industries. The teams have been focused on inspections at high-risk times and high-risk venues, as well as increasing and improving stakeholder engagement with industry bodies and community groups. There has been an increase in liquor and community forums since the hubs were funded, which is improving compliance with legislation by regulated entities.

Our attendance at liquor forums in Horsham enabled engagement with the local council who identified issues relating to late night liquor venues and a local sporting club.

Our inspectors were advised by council that the sporting club had been supplying liquor without a liquor licence. The council had requested the club obtain a liquor licence as a condition of the lease of the premises, however, the club had failed to do so. We initiated an investigation into the club with the support of Victoria Police which is ongoing.

Operational activities undertaken by the regional teams have led to several prosecutions in recent months including Diversion Orders imposed on:

- the Sale Turf Club Inc for permitting a drunk or disorderly person on licensed premises
- Lance Doyle for the unlicensed sale of liquor
- SP Burke Pty Ltd for patron intoxication and non-compliance with RSA principles
- the Bairnsdale Bowls Club for allowing a minor in a gaming machine area, on a licensed premises and allowing the minor to gamble.

During routine inspections at an Ararat licensed premises, our inspectors identified possible non-compliance of the venue with its liquor licence obligations. A risk assessment of the venue determined it to be high-risk. We proactively engaged with Victoria Police, which led to several months of operational monitoring of the venue. During this time, we identified systemic issues related to patron intoxication and non-compliance with RSA principles. Proportionate enforcement action was taken against the venue over time ranging from warnings to the issuing of infringement notices. This culminated in the Commission taking disciplinary action in early 2020. As a result, the licensee, SP Burke Pty Ltd, has been disqualified from holding a liquor licence for five years.

These examples are indicative of the work being conducted by inspectors in the regions, where they continue to collaborate with the community and co-regulators to identify high-harm breaches and take appropriate enforcement action.

## EVALUATION – REGIONAL HUBS

An evaluation of the regional hubs, concluded in May 2020, found they are contributing to the minimisation of serious gambling and alcohol related harm, are performing well and achieving their objectives. Since their establishment, the percentage of our regional inspections at high-risk times has more than doubled. Regional operations with co-regulators have increased, stakeholder engagement has improved, and enforcement activities have increased as a result of our increased scrutiny of regional venues at high-risk times.

# MAJOR LICENSEE MONITORING AND REPORTING

## MAJOR LICENSEE OVERSIGHT

In Victoria, there are five major gambling licences. Each licence has extensive regulatory requirements which the VCGLR is required to monitor, assess and enforce. We manage these arrangements under a Major Licence Management Framework.

The framework establishes an integrated licence management function that facilitates the efficient and effective management of the five 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).

We implement the framework via six broad objectives, including: stakeholder engagement, intelligence management, obligation monitoring, risk management, regulatory facilitation and vendor management. We conduct these activities throughout the year.

## MELBOURNE CASINO LICENCE OPERATOR

### Investigation into the detention and imprisonment of Crown staff in China

We continued our investigation to assess the circumstances which led to the detention and subsequent imprisonment of Crown staff in China in 2016.

During our investigation process, we have:

- issued notices under section 26 of the CC Act to Crown requiring it to produce information and documents to the VCGLR
- interviewed current and former Crown employees regarding the circumstances leading to the arrests
- liaised with various other agencies (including regulators and other casino operators)
- considered and analysed various documents, information and other evidence received.

In July 2019, a series of media reports were published regarding Crown and allegations concerning junket operators, money laundering and the circumstances surrounding the detention and imprisonment of Crown staff in China. As a result, we contacted former Crown staff based in China to determine whether they would agree to be interviewed.

In 2020, Crown informed the Commission that it intended to waive its legal professional privilege over a large amount of material it had previously declined to provide. Consequently, it was critical to the investigation that this material was thoroughly examined by the Commission.

Our investigation therefore continues, noting the new material we received was voluminous. We have also pursued other lines of inquiry in an endeavour to collect any additional relevant information and evidence to inform and conclude our investigation.

The NSW Casino Inquiry has also been considering this matter. The Commission is closely working with and assisting the inquiry as required and will continue to monitor its progress, including evidence produced before it.

## Examination of issues raised in the media

There were numerous issues raised by the media in 2019 relating to Crown. We completed a thorough examination of the issues that fall within the VCGLR's jurisdiction, including Crown's compliance with its probity obligations based on the evidence that was available to the VCGLR. Our examination also included engaging with other regulators and law enforcement agencies both domestically and internationally. We have provided progress updates and reports to the Minister as this has progressed.

We are aware that there are a variety of other investigations or inquiries currently underway by other regulators or law enforcement bodies relating to the casino operator. The VCGLR continues to carefully monitor these matters to inform any regulatory action which may be required and which may relate to the work done to date by the Commission.

Concurrently, the VCGLR completed a comprehensive review of relevant internal control statements and has commenced work to strengthen the system of internal controls that Crown must implement, including controls relating to junket and premium player arrangements. Specifically, the Commission has instigated a process to update the Internal Control Statements relating to the source of funds and wealth of individuals involved in junket and premium player arrangements. We are consulting with AUSTRAC and Crown through this process.

We are pursuing other lines of enquiry resulting from our examination of the issues raised by the media and continue to keep the Minister informed as this work progresses.

## Sixth Review of Casino Operator and Licence – progress update

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

The Review made 20 recommendations, each with a due date for completion, 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 the Review, which is available on our website.

Since the release of the Review report, the Commission has assessed Crown's implementation of each of the 20 recommendations as they fall due.

## SIXTH REVIEW OF CASINO OPERATOR AND LICENCE – PROGRESS UPDATE

Recommendation	Corporate Governance and Risk	Due Date	Status
1.	<p>The VCGLR recommends that, by 1 January 2019, Crown develop, and submit to the VCGLR for approval, a change program to fully engage its independent directors in proactive strategic oversight of the operations of the Melbourne Casino. Particular consideration should be given to:</p> <ul style="list-style-type: none"> <li>• formulating a charter for the Crown Melbourne board</li> <li>• fully documenting, for visibility to the VCGLR, the reporting and decision-making relationships between all of the boards, committees and executive meetings with responsibility for, or oversight of, Melbourne Casino functions</li> <li>• elevation of governance to the group board and committees.</li> </ul> <p>The submission should identify any changes to regulatory frameworks and how these will be addressed.</p>	1 January 2019	Complete
2.	<p>The VCGLR recommends that, by 1 January 2019, Crown undertake a review of the required qualifications for committee chairs set out in the charters, and ensure that the appointees' actual qualifications match.</p>	1 January 2019	Complete
3.	<p>The VCGLR recommends that, by 1 July 2019, Crown assess the robustness and effectiveness of its risk framework and systems, including reporting lines in the chain of command, and upgrade them where required. This assessment should be assisted by external advice.</p>	1 July 2019	Complete
	<b>Regulatory Compliance</b>	<b>Due Date</b>	<b>Status</b>
4.	<p>The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review of internal controls to ensure that Crown's regulatory and compliance department is aware of all projects and works in progress for which regulatory approvals might be relevant.</p>	1 July 2019	Complete.
5.	<p>The VCGLR recommends that Crown convene annual roundtable sessions briefing key internal staff on the VCGLR's risk-based approach to regulation, with a particular focus on how that approach relies on the integrity of Crown's internal processes.</p>	Annual	Complete
	<b>Responsible Gambling</b>	<b>Due Date</b>	<b>Status</b>
6.	<p>The VCGLR recommends that, by 1 January 2020, Crown Melbourne review its allocation of staffing resources to increase the number of work hours actually available to responsible gambling and intervention with patrons. This might be achieved by training more gaming staff to undertake assessments and then approach patrons identified as at risk, without the need to contact a Responsible Gaming Liaison Officer (RGLO). However, this will only be effective if those staff have sufficient time aside from their gaming duties.</p>	1 January 2020	Complete
7.	<p>The VCGLR recommends that Crown Melbourne use observable signs in conjunction with other harm minimisation measures such as data analytics to identify patrons at risk of being harmed from gambling.</p>	Ongoing	Under consideration



8.	<p>The VCGLR recommends that Crown Melbourne proceed with development and implementation of comprehensive data analytics tools for all patrons, to proactively identify for intervention patrons at risk of harm from gambling. These tools would utilise both historical data (with parameters developed from the second player model), and real-time monitoring of play periods. Crown Melbourne should look to models in other jurisdictions, and consult with external data analytics experts, with a view to implementing world-class, proactive approaches with real-time (or near-real time) operational effectiveness. In particular—</p> <p>a) for carded play (that is, player activity which can be systematically tracked), Crown Melbourne will have in operation a comprehensive real-time player data analytics tool by 1 January 2020, and</p> <p>b) [“first limb”] for uncarded play (that is, all other player activity), Crown Melbourne will, by 1 January 2019, commence a comprehensive study of all the practical options for a real-time player data analytics tool, [“second limb”] with a view to reporting in detail (including legal, technical and methodological issues) to the VCGLR by 1 January 2020 and [“third limb”] the tool being in operation by 1 July 2022.</p>	<p>Partially due</p> <p>1 January 2020</p> <p>1 January 2019</p> <p>1 January 2020 and 1 July 2022</p>	<p>Partially complete</p> <p>Part (a) of recommendation 8 is under consideration</p> <p>The first limb of part (b) of recommendation 8 is complete. The second limb of part (b) of recommendation 8 is under consideration. The third limb of part (b) of recommendation 8 is not yet due for completion</p>
9.	<p>The VCGLR recommends that Crown Melbourne arrange, at its expense, for an independent assessment of the real-time player data analytics tool for carded play (see Recommendation 8(a), to be completed 12 months after implementation of the tool. The independent assessment is to be undertaken by a person approved by the VCGLR, after consultation with Crown.</p>	<p>12 months after implementation of the tool</p>	<p>Recommendation 9 is not yet due for completion.</p>
10.	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the Casino Control Act. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders. The review should be undertaken with a view to implementing policies that facilitate:</p> <ul style="list-style-type: none"> <li>• Crown Melbourne issuing short term exclusion orders for 3, 6, 12 or 24 months under section 72 of the Casino Control Act, considering the specific circumstances of the person and their preferred time period for exclusion, and conditional on the person undertaking to comply with the order and with other matters (such as obtaining treatment)</li> <li>• Crown Melbourne reviewing voluntary exclusion orders which are more than 10 years old to consider whether the continued operation of these orders serves a useful purpose, with a view to retaining only those orders that are beneficial to the persons who are subject to them, and can be adequately enforced. The VCGLR further recommends that the review of such orders occurs in an orderly manner between 1 July 2019 and 30 June 2020.</li> </ul>	<p>1 July 2019</p>	<p>Complete</p>

11.	The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a policy and procedure to facilitate Crown Melbourne issuing involuntary exclusion orders under section 72(1) of the Casino Control Act at the request of family members and friends in appropriate cases. The policy and procedure should be developed in conjunction with the VCGLR, VRGF and other external stakeholders. Crown Melbourne should include information about this option in all its responsible gambling publications, website and regularly provide information to relevant stakeholders, such as Gambler's Help and other similar organisations, about this option.	1 July 2019	Complete.
12.	The VCGLR recommends that, by 1 July 2019, Crown Melbourne expand facial recognition technology to cameras on all entrances to the casino and that Crown Melbourne provide written updates on a quarterly basis on its effectiveness to the VCGLR.	1 July 2019	Complete
13.	The VCGLR recommends that, as part of developing a new responsible gambling strategy, by 1 July 2019, Crown Melbourne rebrand or refresh its responsible gambling messaging and publish new responsible gambling messages throughout the casino, in all Crown Melbourne publications, including online and social media platforms.	1 July 2019	Complete.
14.	<p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a responsible gambling strategy focusing on the minimisation of gambling related harm to persons attending the casino. The strategy should address:</p> <ul style="list-style-type: none"> <li>• early proactive intervention initiatives</li> <li>• player data analytics</li> <li>• proactive engagement with pre-commitment</li> <li>• intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling</li> <li>• the role of all staff in minimising harm</li> <li>• the effective use and monitoring of exclusion orders</li> <li>• internal reporting arrangements</li> <li>• integrating responsible gambling into proposals for trialling or introduction of new products and equipment</li> <li>• performance measures to assess the performance of the RGLOs, Responsible Gaming Support Centre (RGSC) and casino staff in relation to harm minimisation</li> <li>• the roles of the Crown Resorts Responsible Gaming Committee and the Responsible Gambling Management Committee in driving harm prevention strategies based on world's best practice</li> <li>• the objectives of the RGSC in relation to minimising harm to patrons</li> <li>• the responsible service of gaming as a fundamental core business consideration when making strategic decisions regarding casino operations.</li> </ul>	1 July 2019	Complete
15.	The VCGLR recommends that, within three months of implementing the new responsible gambling strategy (Recommendation 14), there is regular reporting to the Crown Resorts Responsible Gaming Committee for it to maintain oversight of Crown Melbourne's harm minimisation strategy for responsible gambling. Regular reports every two months should include numbers and types of interventions and other harm minimisation activities of RGSC and other staff, details of the number and nature of referrals to external service providers, exclusion orders, breaches, revocation and appeals, as well as results from player data analytics and other initiatives to minimise gambling related harm. These reports should also be made available to the VCGLR for monitoring purposes. (The VCGLR intends to share this information, as appropriate, with the VRGF.)	Within three months of implementing the new responsible gambling strategy.	Complete

16.	The VCGLR recommends that within three months of implementing the strategy, a charter is developed for the Crown Melbourne Responsible Gaming Management Committee (staff committee) which includes reference to the role and responsibility of driving a harm minimisation culture.	Within three months of implementing the strategy (effectively 1 October 2019)	Complete
<b>Money laundering</b>		<b>Due Date</b>	<b>Status</b>
17.	The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.	1 July 2019	Complete
<b>Applications for approvals</b>		<b>Due Date</b>	<b>Status</b>
18.	The VCGLR recommends, in all future submissions by Crown Melbourne to the VCGLR for approvals under the Casino Control Act or Gambling Regulation Act, that Crown document: <ul style="list-style-type: none"> <li>the purpose</li> <li>obligations under relevant provisions of legislation, the Transaction Documents, and existing approvals</li> <li>what changes the grant of the approval would make to products, rules and procedures, etc.</li> <li>risks associated with the approval and how they will be treated</li> <li>how responsible gambling considerations have been taken into account in the process and the measures Crown will implement to mitigate the risk of gambling related harm</li> <li>which areas of Crown will be responsible for managing implementation.</li> </ul>	Ongoing	Complete
<b>Integrity exclusion orders</b>		<b>Due Date</b>	<b>Status</b>
19.	The VCGLR recommends that, by 1 July 2019, Crown Melbourne implement a policy to make an exclusion order under section 72 of the Casino Control Act in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.	1 July 2019	Complete
<b>Review of implementation of recommendations</b>		<b>Due Date</b>	<b>Status</b>
20.	The VCGLR recommends that, between November 2019 and March 2020, VCGLR Commissioners and directors of the Crown Resorts board meet to review the implementation of the recommendations set out in this report.	Between November 2019 and March 2020	Meeting was scheduled for March 2020, however, the Commission has approved Crown's requests to defer the meeting due, amongst other things, the restrictions relating to COVID-19. It is intended to hold a face-to-face meeting as soon as practicable.

# CORONAVIRUS (COVID-19)

**Since the State of Emergency was declared in Victoria in March 2020, we have worked with relevant departments, agencies and the industry to implement a range of measures in response to coronavirus (COVID-19).**

When licensed venues were closed, we made available coronavirus (COVID-19) temporary limited licences to enable businesses to continue to trade and offer limited takeaway and delivery of liquor. To meet the rapid increase in demand, our teams processed more than 2,300 applications with the application fee associated with these waived under the State Government's economic survival package.

We supported the implementation of State Government measures by:

- streamlining processes for temporary limited licence applications finalised within three business days
- waiving application fees for temporary limited licences and all other 2020 liquor licensing application fees
- waiving or refunding all 2020 liquor licence renewal fees
- postponing of monthly gaming taxes for duration of the State of Emergency and 2018–19 supervision charges for gaming venue operators
- allowing virtual classroom delivery of RSA training by VCGLR-approved RTOs
- extending time for gaming venues to pay community contributions to January 2021.

**"The speed at which you guys are acting on this issue has been fantastic, even despite the enormous workload you no doubt have in front of you. The response time to our numerous questions has been second to none and we really do appreciate it (as does the wider industry). This has been a fantastic example of leadership when it has been absolutely needed."**

## **- Liquor consultant**

During the Victorian Government's coronavirus (COVID-19) response, seven of our Compliance Inspectors were seconded to the DHHS to assist their coronavirus (COVID-19) Compliance and Enforcement area.

In response to the Chief Health Officer Directions and restrictions, we worked with the Department of Justice and Community Safety, Victoria Police, DHHS and WorkSafe to educate and support the hospitality industry and workplaces to monitor the compliance and enforcement of directions by the Victorian Deputy Chief Health Officer under a formal Memorandum of Understanding. Our inspectors were authorised under the Public Health and Wellbeing Act 2008 to support these efforts in a joint agency collaborative approach.

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 a gambling and liquor community stakeholder forum. Since March 2020, over 23,000 people have visited our dedicated coronavirus (COVID-19) information for licensees web page.

## Refund and waiver of 2020 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 coronavirus (COVID-19), the Victorian Government announced an economic survival package to support businesses and jobs which included the refunding or waiving of 2020 liquor licence and permit renewal fees.

For licensees and permittees who had already paid their 2020 renewal fee, we worked with the State Revenue Office (SRO) to administer a reimbursement of their renewal fee.

For licensees and permittees who had not paid their 2020 renewal fee:

- if they held a category of licence that permits home delivery and takeaway of liquor, renewal fees were waived automatically, and the licence renewed so that they could continue to supply liquor during coronavirus (COVID-19) restrictions
- if their category of licence did not permit home delivery or takeaway of liquor, we waived the renewal fee provided the licensee or permittee confirmed that they wanted to retain their licence or permit.

In total, as at 30 June 2020, we assisted the SRO to refund the renewal fees for 20,191 liquor licences and BYO permits, valued at approximately \$22 million, and waived the renewal fee for approximately 1,878 liquor licences and BYO permits valued at approximately \$2.9 million.

## RSA training by video conference

Our train-the-trainer course was delivered via video conferencing for the first time, with participants from across Victoria. This enabled the ongoing accreditation of trainers and provided support for training organisations to ensure their trainers are accredited by the VCGLR to deliver the approved VCGLR RSA course.

Face-to-face RSA training by RTOs also required online options to ensure the health and safety of staff and students and to support businesses to comply with industry standards. After initial consultation and feedback from stakeholders to inform the approach, the Commission approved the use of video conferencing as an alternative classroom delivery model, allowing RTOs to deliver the same classroom RSA training using digital technology. The approval to use video conferencing did not necessitate any other changes to RSA training requirements and was approved for the duration of the declared State of Emergency. As at 30 June 2020, 24 RTOs were delivering RSA training via video conferencing.

# RESPONDING TO OUR CORPORATE PLAN

Our Corporate Plan 2017–20 measures the organisation’s success through key performance indicators (KPIs) with targets focused on three priorities. The Corporate Plan is developed internally and endorsed by the Executive and Commission to drive the strategic direction of the organisation.

The 2017-20 Corporate Plan includes three strategic priorities:

- Modernise
- Collaborate
- Influence.

# MODERNISE

The following successful outcomes have been achieved during 2019–20 to modernise our regulatory approach.

## STRENGTHENING TECHNOLOGY AND DIGITAL SERVICES

We continued to improve the efficiency of internal processes and service provision through the increased use of digital technology.

We have a growing internal and external requirement for information and our regulatory approach is underpinned by intelligence-led decisions.

This year we developed and implemented the ICT Strategy 2019-23. The Strategy has ensured technology meets the immediate needs of the VCGLR while also maintaining a capability to deliver emerging technologies in the future. Specifically, it sets the course for our technology enablement through:

- application modernisation and consolidation
- business intelligence
- mobility
- cloud services.

The ICT strategy has focussed on improving business continuity and customer service outcomes through the implementation of a mobile-first approach that enables an anywhere, anytime and any device solution.

We fast-tracked our mobility capability uplift to allow staff to work remotely and undertake business-as-usual operations during coronavirus (COVID-19). Remote access to our ICT systems was critical to not only support the health and safety of our workforce, but to ensure we could respond rapidly to changing industry needs and State Government priorities.

### Online forms

Four additional high-volume forms (one liquor and three gambling) transitioned to online this year, bringing the total number of gambling and liquor forms online to 32.

These 32 forms represent 84 per cent of the total volume of applications that can now be made online. Additional application forms are submitted on our website and have been transitioned to interactive PDF documents.

Online forms allow applicants to upload documents and save the application once completed. Applicants who commence an application but do not submit are also sent reminders. The intuitive design also targets relevant sections and questions to individual applicants. Once submitted, applications are directly uploaded into the licensing system, queued and actioned according to the date received, reducing manual data entry time.

### Online objection form

Under the LCR Act, members of the community and local councils can object to a liquor licence application. Where we receive an objection to a liquor licence application, between 30-40 per cent of these objections are made by the general public each year.

In June 2020, an online form for public objections to liquor licence applications was published on our website. The [Object to a liquor licence application](#) online form:

- guides objectors through the process and requirements for making an objection, including the relevant grounds for objection
- provides an accessible and simple means to lodge an objection
- reduces the number of objections that need to be refused or followed up by Licensing staff.

Moving processes online such as objecting to a liquor licence supports a digital-first approach for objectors to engage with us, reduces processing times and aligns with community, industry and other relevant government expectations.

### eLicence

Throughout 2019–20 we have worked to transition licensees and permittees to manage their liquor licence or BYO permit digitally by registering for eLicence via the VCGLR Liquor Portal.

By registering for eLicence, licensees and permittees can quickly and easily:

- 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 to add or remove nominees or directors
- transfer their liquor licence or BYO permit.

As at 30 June 2020 13,810 (58.6 per cent) of all liquor licences or permits were registered for eLicence and we had 54,160 visitors to the Liquor Portal from 1 July 2019 – 30 June 2020.

## Improved digital tools

Development of an integrated Communications and Engagement Framework is underway to support more accessible, cohesive and consistent communications 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 (WCAG) 2.0 accessible digital communications.

## PROCESS IMPROVEMENT

### Criminal background checks for gaming employees

As a condition of their licence, gaming employees are obligated to report if they have been charged with or found guilty of an offence.

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

Under the agreement, 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 each week. These checks assist us in assessing the suitability of new gaming employee applicants and enables the tracking of charges and court outcomes against licensed gaming employees to determine whether disciplinary action (including suspension or cancellation of licence) should occur.

The agreement plays a critical role in ensuring that only suitable people are licensed and continue to be licensed and that the industry is free from criminal influence or exploitation.

### Monitoring of sports controlling bodies

An organisation approved by the VCGLR as the controlling body for a sports betting event is known as a sports controlling body (SCB). Approval as a SCB enables an organisation to enter arrangements with betting service providers in respect to the competitions and events it has oversight of.

We regulate SCBs by:

- ongoing monitoring of integrity processes and protocols to ensure SCBs meet their obligations under the GR Act
- regular reviews of each SCB to ensure ongoing suitability
- assessment of incidents and breaches that may impact the integrity of betting on the sport and the suitability of the SCBs.

Sports betting continues to grow, and with it an increased risk of sport integrity issues. In response to this, we have undertaken a review of our post-approval monitoring of SCBs over the past 12 months to ensure the effectiveness and suitability of the SCB's sports betting integrity processes.

We have initiated improved processes to enhance the monitoring and review of SCBs, including increased engagement.

We have contacted all SCBs to remind them of their obligations under the GR Act and what they should do to ensure compliance. They were also advised of our continued commitment to monitor all SCBs and that we will continue to conduct periodic reviews to assess their suitability to remain approved for the sports betting events for which they are responsible.

### Designated Area Orders

The Commission may declare an area to be a designated area if it believes that alcohol-related violence or disorder has occurred in the vicinity of licensed premises, and that powers allowed under a Designated Area Order are likely to be an effective means of reducing or preventing its occurrence. The Commission must consult with the Chief Commissioner of Victoria Police before declaring an area to be a designated area.

In May 2020, we published a Regulatory Impact Statement recommending the remaking of five existing Designated Area Orders for a period of ten years (instead of the normal 12 month duration). If adopted, this recommendation would contribute to the long-term certainty of local policing and reduce the administrative burden on the VCGLR and Victoria Police. We will conclude this work in 2020-21.



# COLLABORATE

We consistently aim to provide a collaborative and unified environment in which to achieve best-practice. Ways we achieved that in 2019–20 include:

## WORKING WITH PARTNERS

We work closely and collaboratively with co-regulators, law enforcement agencies, peak bodies and other stakeholders. With the introduction of regional teams, there has been an increased focus in the regions on developing and cementing relationships with these key stakeholders in regional areas.

The Ararat office recently engaged with the Environmental Protection Authority (EPA) to measure the noise emitted from a problem area within the Warrnambool CBD. There had been several complaints made to the VCGLR about excessive noise in the area, affecting the amenity of residents. Due to the expertise of the EPA in this area, a joint operation was undertaken to determine the severity of the issue and any potential breaches. An EPA noise expert worked with inspectors to conduct sound testing in the nominated area, with sound testing equipment installed for one week during December 2019. The information from the device was analysed by the EPA who ascertained that two venues had potentially breached EPA Control of music noise from public premises conditions. One venue had breached conditions related to its operation as an outdoor venue, while the other had breached the indoor decibel limit.

Recommendations have since been made for an amendment to one venue's licence to ensure compliance with their amenity and EPA obligations, and to seek voluntary compliance from the second venue.

## INTERJURISDICTIONAL COLLABORATION

Throughout the year we have worked with other jurisdictions to share knowledge and collaborate on communication activities designed to support industry.

The VAGO Follow up of Regulating Gambling and Liquor, released in November 2019 stated that:

**“where the VCGLR identifies evidence or intelligence in relation to suspected criminal activity (such as money laundering) from any of its audits, or from other sources (such as complaints or observations at the casino), it refers this material to law enforcement agencies such as AUSTRAC. We (VAGO) reviewed evidence that the VCGLR passed on information about suspicious law enforcement activity to law enforcement agencies”.**

We continued to monitor the progress and findings of any investigations undertaken throughout the year by other state and federal regulatory agencies, and liaised closely with the NSW Independent Liquor and Gaming Authority as it conducts its NSW Casino Inquiry.

We also worked with the Cross Border Commissioner in NSW, and are developing promotional resources to assist our liquor licensed venues in border areas, and their patrons to better understand Victorian liquor licensing laws.

We have also actively contributed to an interjurisdictional responsible service of gaming (RSG) working group, representing Victoria in conjunction with the Victorian Responsible Gambling Foundation. The working group shares resources and experiences related to training and communication material to support RSG.

## WORKING WITH OTHER AGENCIES

We have Memoranda of Understanding (MOUs) with various organisations for a range of purposes, and we work collaboratively and share information with many entities in accordance with legislative provisions. Information sharing agreements, partnerships and MOUs that support our collaborative partnerships with co-regulators include:

- All Australian gambling regulators
- Australian Transaction Reports and Analysis Centre (AUSTRAC)
- Consumer Affairs Victoria
- Cross Border Commissioner
- Department of Justice and Community Safety
- Emergency Services Telecommunications Authority
- Fines Victoria
- Inter-agency partnership relating to Chief Health Officer Directions
- Racing Integrity Commission
- State Revenue Office
- VicRoads
- Victoria Police
- Victorian Responsible Gambling Foundation.

We also began negotiations into an MOU with the Singapore Casino Regulation Authority to enhance cooperation between the two regulators.

### National standards working party

The Gaming Machine National Standards (GMNS), along with jurisdictional specific requirements, provide the minimum technical standards that a gaming machine must comply with in Australia and New Zealand.

To ensure the ongoing suitability of the GMNS, the National Standards Working Party (NSWP) which was originally established in 1994, has in recent years refined its representation to include operational and policy representatives from each jurisdiction in Australia and New Zealand.

The purpose of the NSWP includes:

- maintaining and monitoring the adequacy of the GMNS in meeting current and emerging trends
- providing policy leadership on a multijurisdictional level
- identifying potential changes to the GMNS that work towards harmonising jurisdictional requirements and conform to an outcome-based and less prescriptive approach
- providing an ongoing mechanism for cross-jurisdictional collaboration to further enhance and implement national regulatory approaches.

In 2020 the VCGLR commenced as chair of the NSWP for a two-year term. During this time the NSWP will endeavour to:

- review the current GMNS (last version approved in 2016) and consider possible revisions to the standards
- consider options to increase harmonisation, in light of individual jurisdictional requirements.

### Engagement through education

The VCGLR Education Strategy 2017 articulates a strategic approach to voluntary compliance through proactive and targeted education. Our commitment to continuous improvement and evaluation by obtaining regular stakeholder feedback is a high priority.

Our education program also ensures we are building the capability and knowledge base of licensees and stakeholders across the gambling and liquor industries, as well as community groups.

The objectives of the Education Strategy include changing licensee behaviour, reducing harms and increasing voluntary compliance. By focusing on these objectives, we implement targeted education campaigns using a range of tools and resources. In response to market growth, the Education team delivered campaigns focused on liquor producers as well as sporting clubs, to better support their voluntary members.

## Engaging culturally diverse communities

We ensure our information is accessible to licensees and communities from culturally diverse backgrounds with an 'other languages' page on our website, where key documents are translated into Chinese, Vietnamese, Japanese and Hindi. We also have a translated fact sheet aimed at educating international visitors to Victoria about our liquor laws.

This year, information about relevant restrictions and support in place relating to gambling and liquor licensees during coronavirus (COVID-19) was translated into Chinese and Vietnamese. This information was published on our website and provided directly to key stakeholders and community organisations to help them stay informed.

## Partnering with sports clubs

This year we partnered with several stakeholders including Good Sports, Community Clubs Victoria and local government to deliver 13 presentations to sports clubs across metropolitan and regional Victoria.

Seventy per cent of clubs involved believed their club had a better understanding of their liquor licensing and minor gaming requirements.



**70 per cent**

of clubs involved believed their club had a better understanding of their liquor licensing and minor gaming requirements.

Clubs reported implementing changes to how they managed red-line areas during functions, planning for events and general running of the club, improvements to fundraising, better signage and improved processes to check ID.

We also partnered with Community Clubs Victoria and Good Sports to produce five videos to help sports clubs. The 'stay ahead of the game' videos focused on fundraising, minors, sign-in registers, booths and becoming a declared organisation.

## Life Saving Victoria

In September, we partnered with Life Saving Victoria (LSV) as a trade show exhibitor at their annual two-day LSV Club Conference. The conference provided club members with the opportunity to discuss gaming and liquor requirements with our team and provided them with access to information about licence types and conditions.

The partnership included meeting with LSV volunteer support officers who coordinate club activities across the state, to ensure education messages and resources were tailored to their needs and could be easily shared with members via their existing channels.

## Street Talk with Victoria Police

In March, our Education team joined Victoria Police to visit licensed premises in Sunbury as part of the 'Street Talk' program. Street Talk is an educative program that allows us to meet face-to-face to talk with licensees about a range of issues including red-line plans, minors, RSA obligations, licence conditions, self-audits and voluntary best practice measures without it being a formal compliance inspection.

The team paired up with local police officers, handing out information kits with a focus on licence obligations around RSA.

**"The benefits of joint Street Talk operations between VCGLR and Victoria Police are invaluable in sharing learnings between organisations, displaying a united front to the community and strengthening our ongoing relationships."**

**- Acting Senior Sergeant Rhiannon Norton, Victoria Police**

In 2019–20, the Education team conducted Street Talk across regional and metropolitan local government areas of Victoria and visited 342 licensed premises.

# INFLUENCE

**Increasing strategic influence helps us to improve outcomes. In 2019–20, a range of approaches enhanced our ability to influence.**

## KNOWLEDGE EXCHANGE

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

In July, we met with liquor consultants in the industry to enhance understanding of processes, improve communication, discuss the liquor licence application process and the online Liquor Portal. This exchange allowed all parties to ask questions, receive up-to-date information and identify areas for improvement. Liquor consultants can be engaged by applicants and licensees to act on their behalf in the application process and some of them are also accredited by the VCGLR to provide RSA training.

In July, we also met with Multicultural Affairs Victoria to provide an overview of our work including translated materials available on our website and translated information kits. The positive exchange of knowledge was helpful to understand the challenges facing the industry, including the English language requirements for New Entrant and RSA training.

In August, we met with the NSW Liquor Policy and Education team to share insights and strengthen our partnership with the NSW regulator. Discussions included RSA and mutual recognition, demerits and the star rating system in Victoria, liquor licensing and planning, online liquor delivery, and liquor forums and accords.

We participated in the Schoolies Week Interagency Steering Committee, presenting the 2019 VCGLR School Leavers' campaign with a focus on packaged liquor, online licensees and delivery drivers in popular Victorian areas for Schoolies. The campaign theme was secondary supply of liquor and minors in liquor and gaming venues during Schoolies.

In December, the Education team met with Community Clubs Victoria, VicSport, Good Sports, VicHealth and the Victorian Responsible Gambling Foundation to discuss opportunities for collaboration during the next year. These regular meetings provide valuable information regarding new and emerging trends which may form part of future education campaigns.

## INDUSTRY TRAINING

Industry training contributes to voluntary compliance and reducing the risk of harm to the community from the gambling and liquor industries. Training is a requirement for those working in the liquor industry and ensures a new licensee has adequate knowledge of the law when operating their venue. Training is also an education tool used for those licensees who incur demerit points.

RTOs and trainers deliver the training and they must be accredited by the VCGLR to ensure all training is delivered to agreed high standards throughout Victoria.

### Responsible Service of Alcohol

RSA training is mandatory for all licensees and staff selling, offering or serving liquor for general, on-premises, late night and packaged liquor licences or if it is a condition on a licensee's liquor licence. The training model requires RTOs to provide face-to-face training, with the exception this year of video conferencing approved as an alternative delivery model in response to coronavirus (COVID-19) restrictions.

RTOs are accredited by the VCGLR to deliver face-to-face RSA training to ensure participants gain the skills and knowledge necessary to contribute to a safe, enjoyable environment in licensed premises. During the past year 67,712 students completed the RSA program in total, with 109 RTOs accredited by the VCGLR to deliver the RSA training program.

RSA training must be refreshed every three years through the completion of a free online refresher course. The aim of the course is to keep skills current and inform participants of legislative changes that may have occurred since they last completed the course. During the past financial year 41,899 participants completed the free online refresher course via our website. This refresher also acts as a bridging course for those who hold RSA certificates and have attended RSA training face-to-face interstate.

## Train-the-trainer

We deliver the RSA train-the-trainer course to provide trainers with an understanding of the legislation, skills and knowledge required to present the VCGLR-approved RSA course. While this course has historically been delivered face-to-face, this year included video conferencing delivery in response to coronavirus (COVID-19).

In addition, 18 new trainers were awarded an RSA train-the-trainer certificate.

## Review of Responsible Service of Alcohol Training in Victoria

In consultation with RTOs and other key stakeholders, we have completed a review of RSA training in Victoria. This review focused on identifying opportunities to make it easier for the Victorian RSA certification to be recognised outside of Victoria, and vice versa in accordance with the Minister's SOE.

The Commission has approved the national RSA training unit of competency that is accepted in all other Australian states and territories and will recognise the online delivery of training. Transition to this new training model will occur in 2020-21.

## Advanced Responsible Service of Alcohol

The Advanced RSA course is designed for licensees, managers and staff of late-night venues, who tend to face different challenges and issues. Licensees receiving a demerit point due to specific legislative breaches are also required to undergo Advanced RSA training. This year, 38 participants completed the Advanced RSA course. The Advanced RSA course was developed in partnership with the William Angliss Institute, who delivered the course on five occasions this year.

## New Entrant Training

New Entrant Training (NET) ensures liquor licence applicants and transferees understand the requirements of the LCR Act, including their obligations, prior to being granted a licence or becoming a nominee.

There is also a specific NET course, known as Club Seminar, for club licensees, that specifically helps sporting and community clubs manage the service of liquor responsibly and reduce alcohol-related harm.

It is a requirement for all new licensees to demonstrate they have adequate knowledge of the LCR Act and one way to do this is to complete a VCGLR-recognised NET course. These courses were delivered by RTOs to 2780 participants over the past year, and we recognised one new NET provider, bringing the total of NET providers in Victoria to seven.

Table 5 – Training participant numbers for 2019–20

Course activity	Number of participants 2019–20 (as of 7 July 2020)
Responsible Service of Alcohol	67,712
Responsible Service of Alcohol online refresher	41,899
Train-the-trainer program	18
New Entrant Training	2,492
Clubs Seminar program	288
Advanced RSA program	38

## BUILDING NETWORKS

Building relationships and expanding networks is key to retaining influence, informing industry and maximising voluntary compliance. A range of strategic approaches helped us to do that in 2019–20.

### Liquor Forums and Accords

A forum is a meeting of gambling and liquor industry representatives and interested community members who meet regularly. They develop strategies to:

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

Forums may be formalised with the establishment of a liquor accord - a written document that sets out specific aims, actions, objectives and strategies addressing local alcohol-related problems. It may also include responsible gambling initiatives. Every accord must be approved by the VCGLR and Victoria Police. There are currently 60 approved accords, eight of which were revised this year and re-submitted for approval.

There are more than 80 registered liquor forums across Victoria, 45 of which are active and have held a meeting in the last 12 months. The frequency of forum meetings is decided by the members and can range from monthly to annually.

We support forums by promoting meeting dates and local forum contacts on our website as well as publishing a monthly forum bulletin with legislative updates, industry news and reminders. This year we helped three forums reactivate. Our staff attended 55 forum events – 33 in metropolitan Melbourne and 22 in regional Victoria.

Due to coronavirus (COVID-19), most forum meetings were suspended from March. We continued to support liquor forums by contacting forum chairpersons to provide information, respond to queries and gain an understanding of their issues and challenges.

## Community Stakeholder Forums

Community Stakeholder Forums are chaired by the Deputy Chairs of the Commission and bring together community organisations invited by the CEO and the VCGLR. They provide an opportunity for us to learn from community stakeholders about gambling and liquor issues that are important to them. Attendees are also given the opportunity to share information about projects and initiatives and hear from guest speakers.

In 2019–20 we held our first regional Community Stakeholder Forum in Sale covering both gambling and liquor matters. The forum was well attended and provided the opportunity for participants to discuss regional issues with feedback indicating most would attend a future forum. A regional forum was also planned for Ararat but was postponed due to coronavirus (COVID-19).

In May 2020, we delivered our first combined gambling and liquor Community Stakeholder Forum via video conferencing. The theme, 'impacts and experiences of coronavirus' provided an opportunity for attendees to share how their organisation, colleagues and communities have been impacted by the coronavirus (COVID-19) pandemic and to share information.

# APPENDICES



**THIS JETTY IS NOW OPEN**  
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- [Port Welshpool Fishing](#)
- [Port Welshpool](#)

For more information, please contact:

Port Welshpool Boating & Fishing  
PO Box 1000, Port Welshpool, WA 6150  
Phone: 08 9428 1111 | Fax: 08 9428 1112  
Email: [portwelshpool@water.gov.au](mailto:portwelshpool@water.gov.au)

## APPENDIX ONE – DISCLOSURE INDEX

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

Ministerial Directions & Financial Reporting Directions		
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FRD 22H	Purpose, functions, powers and duties	10
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## APPENDIX TWO – MINISTERIAL DIRECTIONS AND REGULATORY REQUIREMENTS

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

There were two Ministerial Directions and other requirements made during the year. Ministerial Directions can be found on the VCGLR website.

Table 6 – Ministerial Directions and other requirements issued in 2019–20

Order	Date issued
S85 – Ministerial Direction Pursuant to s 10.6.6 of the GR Act <b>Responsible Gambling Codes of Conduct</b>	Effective 1 March 2020
S256 – Ministerial Direction Pursuant to s 4.8A.2 of the GR Act <b>Wagering Service Providers providing interactive wagering and betting services to Victorian residents</b>	Effective 26 May 2020

Table 7 - Electronic gaming machine limits imposed by ministerial direction and regulatory requirements as at 30 June 2020 compared with 30 June 2019, 30 June 2018 and 30 June 2017.

	Number				Percentage %			
	2017	2018	2019	2020	2017	2018	2019	2020
Gaming machine entitlement limits imposed by section 3.4 A.5 of GR Act	27,372	27,372	27,372	27,372	100	100	100	100
Allocated to venue operators	26,991	26,944	26,944	26,922	98.61	98.44	98.44	93.36
Number of gaming machine entitlements attached to an approved venue	26,528	26,520	26,600	26,579	96.92	96.89	97.18	97.10
<b>Gaming machine entitlements inside / outside the Melbourne Statistical Division (MSD)</b>								
Minimum outside MSD	5,474	5,474	5,474	5,474	19.2	20	20	20
Maximum inside MSD	21,517	21,898	21,898	21,898	78.61	80	80	80
Current outside	7,846	7,835	7,838	7,846	28.66	28.62	28.63	28.66
Current inside	19,390	19,399	19,396	19,388	70.84	70.87	70.86	70.83
<b>Number of gaming machine entitlements</b>								
Venue condition 'Hotel'	13,686	13,686	13,686	13,686	50	50	50	50
Venue condition 'Club'	13,550	13,550	13,550	13,550	49.5	49.5	49.5	49.5
<b>Number of gaming machine entitlements attached to an approved venue</b>								
Venue condition 'Hotel'	13,644	13,611	13,650	13,609	49.85	49.73	49.87	49.72
Venue condition 'Club'	12,884	12,909	12,950	12,970	47.07	47.16	47.31	47.39

## APPENDIX THREE – ADDITIONAL INFORMATION

Information available on the VCGLR website includes:

- bingo centres and commercial raffle organisers
- codes of conduct
- Commission decisions and reasons following hearings and inquiries
- community benefit statements
- demerits register
- enforceable undertakings
- gaming machine expenditure data broken down by local government area (monthly) and venue (six-monthly)
- fees and penalties
- gaming machine entitlements
- gaming signage
- gaming venue operators
- information on regional caps and municipal limits on the number of permissible gaming machines available for gaming in each capped region
- interactive map of liquor licences, Keno and wagering outlets and gaming venues
- liquor licences
- liquor signage
- laws and regulations
- Ministerial Directions
- RSA 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 2,375 new licences and 1,018 renewed licences for gaming industry employees, casino special employees and bookmakers' key employees in 2019–20. There were 29,430 active licences at 30 June 2020, compared to 31,080 at 30 June 2019.

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

Category	2016–17	2017–18	2018–19	2019–20
Casino special employees	4,421	4,556	4,603	4,663
Gaming industry employees	27,863	27,024	26,231	24,527
Bookmakers' key employees	226	234	246	240
<b>Total</b>	<b>32,510</b>	<b>31,814</b>	<b>31,080</b>	<b>29,430</b>

### Minor gaming

In 2019–20 we determined 280 applicants to be declared as community and charitable organisations and confirmed 222 applications from organisations seeking to renew their status, enabling them to conduct community and charitable gaming fundraising activities.

We issued 585 permits for other minor gaming activities such as authorising raffles or fundraising events to be conducted, and lucky envelopes to be sold.

### Commercial licensing

We undertook 952 assessments relating to the structure, probity and financial status of participants involved in the Melbourne casino, gaming and racing industries. This included companies, associations, partnerships and individuals seeking approval to operate gaming or bingo venues, supply electronic gaming machines, organise commercial raffles or supply goods and services to the Melbourne casino.

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

### Gambling products

We determined 210 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 statewide pre-commitment system (YourPlay). In 2019–20, 28 approvals were determined in relation to modifications to the YourPlay system.

We also determined applications for approval from manufacturers and suppliers for 268 new games or gaming machines, and 868 variations to existing games or gaming machines, to be supplied to both gaming venues and/or the Melbourne casino.

## Ongoing monitoring

In 2019–20, we took disciplinary action against seven venue operators (disciplinary action was taken against one venue operator on two separate occasions), one holder of a bookmaker's registration, one holder of a commercial raffle organiser's licence, one roll listee, two holders of gaming industry employee licences, and one holder of a casino special employee licence.

## Sports betting and other approved betting events

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

In 2019–20, we approved one new Sports Controlling Body – Hockey Australia. As of 30 June 2020, 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 2019–20, we determined:

- 13 applications for the amendment of the geographic conditions attached to current entitlements relating to 60 hotel entitlements and 22 club entitlements, all of which were granted
- 7 applications for the amendment of the geographic conditions attached to post 2022 entitlements relating to 70 hotel entitlements and three club entitlements, all of which were granted
- 23 applications for the transfer of current entitlements, relating to 490 hotel entitlements and 32 club entitlements, all of which were granted
- 14 applications for the transfer of post-2022 entitlements, relating to 566 hotel entitlements and 92 club entitlements, all of which were granted
- 23 applications to extend the entitlement holding period, all of which were granted.

As of 30 June 2020, 236 entitlements, 198 club entitlements and 38 hotel entitlements were subject to the holding period provisions. The holding periods for these entitlements have been extended by the VCGLR upon application by entitlement holders.

A venue operator holding an entitlement, must commence gaming under that entitlement in their venue within the relevant holding period.

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

From 16 February 2013 (being the first date in which entitlements could be forfeited) until 30 June 2019, there were a total of 458 forfeited entitlements<sup>1</sup>. In the financial year ending 30 June 2020, 22 entitlements were forfeited.

<sup>1</sup> A correction was made in last year's annual report stating that 'This was incorrectly reported as 456 in the 2017–18 Annual Report'. That statement is incorrect, a further review has concluded that 458 is the correct figure and therefore should be the forfeited entitlements figure in the 2017–18 Annual Report and 2018–19 annual report.

**Table 9 – Gambling licensing applications finalised under delegation 2019–20**

Application Type	Granted	Refused	Withdrawn	Total
New EGM and EGM game	268	0	4	272
Modification to EGM and EGM game	868	0	4	872
Linked jackpot arrangement installation approval	274	0	0	274
Linked jackpot arrangement at venue	5	0	0	5
Linked jackpot arrangement at casino	3	0	0	3
Wagering and betting system modification	77	0	11	88
Lottery system modification	54	0	2	56
Keno system modification	18	0	1	19
Gaming equipment at casino	36	0	2	38
Gaming industry employees (new)	1,848	34	21	1,904
Gaming industry employees (renewal)	761	4	2	767
Casino special employees (new)	521	0	8	529
Casino special employees (renewal)	257	0	1	258
Bookmaker's key employee (new)	6	0	0	6
Bookmaker's key employee (renewal)	0	0	0	0
Venue operator's licence (new)	12	0	0	12
Venue operator's licence (renewal)	19	0	0	19
Application to be listed on the roll of suppliers, manufacturers and testers	0	0	0	0
Inclusion/removal of premises with/from venue operator licence	38	0	0	38
Bingo centre operator's licence (new)	0	0	0	0
Bingo centre operator's licence (renewal)	1	0	0	1
Commercial raffle organiser (new)	3	0	0	3
Commercial raffle organiser (renewal)	0	0	0	0
Bookmaker sole trader (new)	5	0	0	5
Bookmaker sole trader (renewal)	0	0	0	0
Bookmaker partnership	5	0	0	5
Bookmaker corporate entity (new)	0	0	0	0
Bookmaker corporate entity (renewal)	0	0	0	0
New associates	678	0	1	679

EGM entitlements (transfer, amendment and extension of time)	80	0	0	80
New nominees	83	0	4	87
Extension of time to nominate a nominee	0	0	0	0
Declaration of community and charitable organisations (new)	280	24	29	333
Declaration of community and charitable organisations (renewal)	222	9	0	231
New minor gaming permit (raffle)	443	6	10	459
New minor gaming permit (lucky envelope)	127	2	2	131
New minor gaming permit (fundraising)	15	1	0	16
Notification of intention to conduct bingo	19	0	0	19
Notification of specified changes to bingo	52	0	0	52
Modification to gaming machine areas	50	0	1	51
Authorisation of persons to be in possession of gaming machines	1	0	0	1
Authorisation of persons to manufacture, sell, supply, obtain or be in possession of gaming machines or restricted components for use outside Victoria	41	0	0	41
Waive penalty interest payable on gaming taxes	2	0	0	2
<b>Total</b>	<b>7,172</b>	<b>80</b>	<b>103</b>	<b>7,356</b>

## Revenue and operational assurance

We conduct audit activities throughout the year to provide revenue and operational assurance across all gambling products as part of our responsibilities under the GR Act and the CC Act.

In relation to gaming tax payable by gaming venues, we have successfully collected taxes payable in the current reporting period through a direct debit from each venue's nominated bank account. The taxes were automatically collected up until and including February 2020. The March 2020 and subsequent months' gaming taxes payable have been deferred by the State Government in response to coronavirus (COVID-19).

Since August 2012 and the implementation of a direct debit process to pay taxes, there has been no unpaid debt to the State in relation to gaming tax payable by gaming venues.

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

Validated gambling expenditure data is published on our website in monthly (by local government area) and six monthly (total by gaming venue) intervals.

## Gambling player loss and taxes

As at 30 June 2020, player loss in its various forms within Victoria amounted to just over \$4,638 million and taxes and levies paid to the State of Victoria amounted to just over \$1,480 million.

Table 10 – Player loss and taxes (\$million) paid by category activity 2019–20

	Player loss	Taxes and levies paid into the Consolidated Fund (\$million)
<b>Source</b>		
Gaming machines – hotels and clubs	1,988.2	749.3
Melbourne Casino – gaming machines and table games <sup>1</sup>	1,235.4	149.4
Lotteries <sup>2</sup>	652.4	518.3
Wagering – racing (totalisator), trackside and sports betting <sup>3</sup>	746.7	59.7
Keno	15.6	3.8
<b>Total<sup>3</sup>:</b>	<b>4,638.35</b>	<b>1,480.49</b>

Table 11 – Applicable taxation rates, by venue type and gambling type 2019–20

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	54.20
Hotels <sup>4</sup>	8.33	55.03	62.53
<b>Casino Gaming machines and table games</b>			
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
<b>Wagering</b>			
Totalisator (pari-mutuel) betting			8.00
Approved betting competition			8.00
<b>Fixed Odds</b>			
Fixed Odds sports betting			8.00
Fixed Odds trackside			8.00
<b>Lotteries</b>			
Public lottery tax (Australian sales)			79.40
Public lottery tax (overseas sales)			90.00
<b>Keno</b>			
Gaming tax			24.24

Note:

<sup>1</sup> In relation to consolidated taxes for 2019–20, no super tax is required to pay by Crown for 2019–20.

<sup>2</sup> Victoria only

<sup>3</sup> The totals do not include amounts collected from bookmakers or sports betting organisations licensed outside Victoria.

<sup>4</sup> 8.33 per cent of player loss is payable to the Community Support Fund



Table 12 – Tax collection analysis by month for 2019–20

Taxable Month	Number of Venues Scheduled for collection <sup>1</sup>	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 2019	474	1	1	0
August 2019	476	1	1	0
September 2019	470	0	0	0
October 2019	480	0	0	0
November 2019	476	0	0	0
December 2019	473	0	0	0
January 2020	474	2	2	0
February 2020	474	0	0	0
March 2020	420	0	0	0
April 2020	14	0	0	0
May 2020	10	0	0	0
June 2020	27	0	0	0

Note:

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

<sup>2</sup> All licensed hotels and clubs have been closed since 23rd March 2020 in response to coronavirus (COVID-19). There were some minor amounts of gaming tax to be collected due to prior months' adjustments that were processed during the period of closure.

### Community benefit statements

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

Table 13 – Community Benefit Statements 2019–20

	Clubs
Number of community benefit statements lodged (as at 1 July 2020)	240
	\$'000
2018-2019 Net Gaming Revenue (NGR)	937,814
<b>Community Benefit Statement claims</b>	
Class A	\$'000
a) Donations, gifts and sponsorships (including cash, goods and services)	15,133
b) Cost of providing and maintaining sporting activities for use by club members	27,198
c) Cost of any subsidy for the provision of goods and services but excluding alcohol	17,438
d) Voluntary services provided by members and/or staff of the club to another person in the community	4,341
e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	1425
<b>Class A total</b>	<b>65,535</b>
Class B	\$'000
a) Capital expenditure	6906
b) Financing costs (including principal and interest)	5166
c) Retained earnings accumulated during the year	362
d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	2992
e) Operating costs	199,669
<b>Class B total</b>	<b>215,095</b>
Class C	\$'000
a) Provision of responsible gambling measures and activities but excluding those required by law	10
b) Reimbursement of expenses reasonably incurred by volunteers	147
c) CBS preparation and auditing expenses	283
<b>Class C total</b>	<b>440</b>
CBS Total (Class A + B + C)	281,070
Percentage of NGR claimed for community purposes	29.97%

### Responsible gambling codes

Commercial gambling providers are required to implement an approved Responsible Gambling Code of Conduct and, if they operate a gaming venue, conduct an approved Self-Exclusion Program. Codes must comply with the Ministerial Direction for [Responsible Gambling Code of Conduct](#), which was issued on 19 September 2018. A copy of the Ministerial Direction is available on our website.

## APPENDIX FIVE – LIQUOR LICENSING-RELATED ACTIVITY

In 2019–20, we determined 15,718 liquor licence-related applications compared to 16,227 for the previous financial year. 'Determined applications' refers to the number of applications granted or refused but does not include applications withdrawn prior to a determination being made. The total number of determined applications captures a range of applications including those for new permanent liquor licences and permits, temporary and major event licences, variations to existing licences and permit conditions, and transfers of existing licences or permits.

Most applications (62 per cent) were for temporary, limited or major event licences.

To support licensees and permittees who were unable to supply liquor for patrons to consume at their venue during the coronavirus (COVID-19) state of emergency, we issued 2,284 temporary licences authorising them to supply liquor in small quantities for takeaway and delivery.

Of the 16,293 finalised applications (being the total of all granted, refused and withdrawn applications), 95.62 per cent were granted, 0.85 per cent were refused and 3.53 per cent were withdrawn by the applicant.

In a small proportion of finalised applications (less than one per cent), objections to the grant of the applications were received from Victoria Police, local councils or community members. Approximately 56 per cent of these applications did not proceed as contested applications because either the objection or the application itself was withdrawn. Of those applications that did proceed as contested, 72 per cent were granted, often with special conditions.

As of 30 June 2020, there are 23,563 active permanent liquor licences – a 1.9 per cent increase on the previous year. This has been largely driven by 117 new restaurant and cafe licences and 183 new renewable limited licences being granted throughout the year.

A temporary decrease in licence numbers after 30 June can be observed every year because licences cease to have force due to non-payment of renewal fees.

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

During the year, we issued 26,171 proof of age cards that are intended to be used to verify that the holder is aged 18 years or over for the purpose of entering licensed premises. This year's figure represents a 4.2 per cent decrease on the last financial year (27,306 cards).

At 30 June 2020, a total of 35 licences, incurring a total of 54 demerit points, were recorded in the demerit points register, as follows:

- one demerit point – 26 licences
- two demerit points – 3 licences
- three demerit points – 3 licences
- four demerit points – 2 licences
- five demerit points – 1 licence.

The [demerit points register](#) is published on our website.

Table 14 - Liquor licensing applications finalised under delegation 2019–20

Application Type	Granted	Refused	Withdrawn	Total
<b>Application for new permanent licence</b>				
BYO permit	56	0	1	57
Full club licence	1	0	0	1
General licence	51	0	3	54
Late night (general) licence	3	0	0	3
Late night (on-premises) licence	2	0	1	3
Late night (packaged liquor) licence	0	1	0	1
Renewable limited licence	413	11	6	430
On-premises licence	76	1	3	80
Packaged liquor licence	65	2	4	71
Pre-retail licence	202	0	3	205
Producer's licence	43	0	1	44
Restaurant and cafe licence	411	15	42	468
Restricted club licence	2	0	0	2
<b>Application for new temporary licence</b>				
Temporary limited licence	9,168	25	294	9,487
Major event licence	552	3	51	606
<b>Applications relating to an existing licence</b>				
Approval of director	498	6	15	519
Approval of nominee	791	2	15	808
Application to remove a demerit point	0	0	0	0
Endorsed Person (s80/81)	50	0	2	52
Exemption from free water requirements	1	0	0	1
Exemption from RSA requirements	0	0	0	0
Release from obligations (s64)	107	0	1	108
Relocation of a BYO Permit	1	0	0	1
Relocation of Licence	79	0	1	80
Renewal of BYO permit by owner, mortgagee, etc.	0	0	0	0
Renewal of a licence by owner, mortgagee etc.	20	1	0	21
Surrender of licence	140	10	4	154
Surrender of BYO permit	10	5	0	15

Sub-let or control of business	322	2	4	328
Transfer of BYO permit	39	1	0	40
Transfer of a licence	1497	17	67	1581
Variation of a BYO permit	3	0	0	3
Variation of licence	761	34	56	851
Variation of licence initiated by the VCGLR	211	0	1	212
Waive or reduce fees	5	2	0	7
<b>Total</b>	<b>15,580</b>	<b>138</b>	<b>575</b>	<b>16,293</b>

**Table 15 - Number of active liquor licences as to 30 June**

Licence type	2016-17	2017-18	2018-19	2019-20
BYO permit	1252	1196	1173	1108
Full club licence	742	741	740	738
General licence	1597	1636	1672	1705
Late-night (general) licence	489	482	475	473
Late-night (on-premises) licence	368	359	362	354
Late-night (packaged liquor) licence	2	2	3	3
On-premises licence	2004	2011	2007	2034
Packaged liquor licence	2065	2092	2117	2150
Pre-retail licence	960	977	1017	1124
Renewable limited licence	4996	5160	5352	5535
Restaurant and cafe licence	5951	6185	6440	6557
Restricted club licence	918	894	874	859
Producer's licence	861	861	895	923
<b>Total</b>	<b>22,205</b>	<b>22,596</b>	<b>23,127</b>	<b>23,563</b>

**Table 16 - Proof of age cards issued**

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

Table 17 - Demerit points recorded in demerit points register 2019–20

Date demerit point recorded in demerit point register	Licence number	Licence category	Premises name	Licensee	Number of demerit points recorded
30/04/2020	31915460	General	The Victoria Hotel Port Fairy	Moyne Hotels Pty Ltd	1
30/04/2020	32226505	Late night (on-premises)	Home	Celebrity Holdings Pty Ltd	1
2/04/2020	31912381	Late night (on-premises)	Royal Hotel, Horsham	Grant Fiedler Pty Ltd	1
27/03/2020	36123995	Renewable limited licence	LaTrobe Valley Racing Club	LaTrobe Valley Racing Club Inc	1
27/03/2020	31904867	Late night (general)	Lucky Coq	Colonial Leisure Group Pty Ltd	1
20/03/2020	31910347	Late night (general)	The Paynesville Hotel	Ellacey Pty Ltd	1
04/03/2020 04/03/2020 04/03/2020	32264113	Late night (on premises)	Chun K Karaoke	Anchor Way Pty Ltd	3
27/02/2020 27/02/2020	32284472	Late night (on premises)	Holiday Karaoke	Holiday KTV & Bar Pty Ltd	2
19/11/2019	31920766	Late night (general)	Shanghai Club Restaurant	Dazeline Pty Ltd	1
24/10/2019	32290538	Late night (on-premises) licence	Party World	Partyworld International Pty Ltd	1
9/10/2019	31951775	Late night (general)	Clique Bar	No Worriez Pty Ltd	1
20/08/2019	32244799	Late night (on premises)	A-Music Karaoke	A-Music Pty Ltd	1
6/08/2019	32282593	Late night (on-premises)	Bass Lounge	Incube Entertainment Pty Ltd	1
3/07/2019 3/07/2019 3/07/2019	31822764	Late night (on-premises)	Randy Dragon	Pasco Entertainment Pty Ltd	3

**Table 18 – Total liquor licence applications**

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

**Definitions:**

Determined applications are applications 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. During 2019-20, the Commission declared five designated areas in the entertainment precincts of Mildura, Footscray, Colac, Mornington and Sunshine.

As community consultation was opened in relation to a Regulatory Impact Statement proposing changes to Designated Area Orders across five areas. The outcome of this review and consultation will be determined in 2020-21.




## APPENDIX SIX - COMPLIANCE AND ENFORCEMENT

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

Table 19 – Gaming venue operator disciplinary action

Venue operator	Grounds	Decision Date	Result
Club Tivoli-Deutscher Verein Melbourne Inc	The club failed to lodge its audited Community Benefit Statement for the financial year 2017-2018 by the due date.	2 August 2019	Fined \$500
Goldfields Cycle Sports Inc	The club failed to lodge its audited Community Benefit Statement for the financial year 2018-2019 by the due date.	7 November 2019	Letter of censure
Foster Golf Club Inc	The club failed to lodge its audited Community Benefit Statement for the financial year 2018-2019 by the due date.	7 November 2019	Letter of censure
Green Gully Soccer Club Limited	The club failed to lodge its audited Community Benefit Statement for the financial year 2018-2019 by the due date.	11 November 2019	Letter of censure
The Sunbury Football Social Club Limited	The club failed to lodge its audited Community Benefit Statement for the financial year 2018-2019 by the due date.	11 November 2019	Fined \$1,000
Club Tivoli - Deutscher Verein Melbourne Inc	The club failed to lodge its audited Community Benefit Statement for the financial year 2018-2019 by the due date.	12 November 2019	Fined \$600
Abruzzo Club	The club failed to lodge its audited Community Benefit Statement for the financial year 2018-2019 by the due date.	12 November 2019	Fined \$1,000
Sale Community Bowls Club Inc	The club failed to advise of changes to its committee for members that were appointed and/or ceased between 2018 and 2020.	4 March 2020	Fined \$1,000

Table 20 – Gaming industry and Casino special employee disciplinary action

	Grounds	Decision Date	Result
 Casino special employee	Licensee is not a suitable person to hold a licence after he was charged with relevant offences.	6 September 2019	Licence cancelled
 Gaming industry employees	Licensee is not a suitable person to hold a licence after he was found guilty of relevant offences.	25 October 2019	Licence cancelled and disqualified from obtaining or applying for a gaming licence for a period of four years
 Gaming industry employees	Licensee failed to comply with a special condition of his licence.	20 April 2020	Licence cancelled and disqualified for one month.



**Table 21 – Roll listee disciplinary action**

Grounds	Decision Date	Result
The Roll Listee failed to lodge its 2017/18 audited financial statements within four months of the end of the financial year as is required under their listing conditions.	16 October 2019	Letter of censure

**Table 22 – Bookmaker disciplinary action**

Grounds	Decision Date	Result
The bookmaker was found guilty of serious breaches of the Australian Rules of Racing.	5 March 2020	Fined \$2,500

**Table 23 – Commercial Raffle Organiser disciplinary action**

Grounds	Decision Date	Result
The licensee failed to advise of changes to its board as per the directions issued to them under sec 10.4A.4 of the GR Act.	5 December 2019	Letter of censure

### **Enforceable undertakings under the Liquor Control Reform Act**

We may accept a written undertaking given by a licensee about a matter in relation 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 of disciplinary action under the LCR Act.

We publish copies of enforceable undertakings on our website, see: [Enforceable undertakings](#)

One enforceable undertaking was entered into during 2019–2020.

### **Warnings and infringements**

During the 2019–20 financial year there have been 915 warning letters, one official warning and 141 infringement notices issued for gambling and liquor-related matters. Of these, 785 were liquor-related warnings.

## APPENDIX SEVEN – CORPORATE PLAN

Our Corporate Plan 2017-20 incorporates a series of success measures that we set for ourselves in the form of Key Performance Indicators (KPIs) to be used to monitor outcomes that fall under three priorities:

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

KPIs are three-year targets, to be achieved by June 2020. Data from 2017–18 and 2018–19 has been included to provide a benchmark for comparison of performance to date.

Table 23 – Corporate Plan reporting

Targets to be achieved over three years (to June 2020)					
Priority	Key performance indicator	Unit of Measure	30 June 2018 Actual	30 June 2019 Actual	30 June 2020 Actual
<b>Modernising regulatory tools and practice</b>	Increase joint operations with co-regulators by 30%	number*	22	20	6
	Decrease administrative non-compliance by 5%	number*	3,204	2,421	732
	Increase the number of inspections at high-risk, high-harm times	number	1,781	2,196	1,075
	Decrease complaints against industry by 5%	number*	884	767	1,065
	Increase inspections at high-harm times to 18%	percentage	13.72	18.69	15.91
	Increase detection of high-risk breaches by 10%	number*	1,742	529	443
	Move all applications online by 2020 <sup>1</sup>	number	17	21 <sup>2</sup>	32 <sup>2</sup>
	Increase % calls answered within 60 seconds	percentage	77.2	75	75
<b>Providing a collaborative and unified environment</b>	Percentage of staff with an integrated performance development plan	percentage	99.52	100	100
	Staff are engaged and have a positive work environment	percentage	64	64	-
<b>Increasing strategic influence to improve outcomes</b>	Percentage of industry perceiving the VCGLR to be satisfactorily regulating the gambling and liquor industries	Percentage	N/A	77	88

Note:

\* The overall percentage will be calculated in 2019–20 against the June 2017 benchmark.

<sup>1</sup> This KPI relates to all frequently used application forms.

<sup>2</sup> Reported totals are cumulative totals.

30 June 2020 Target	Commentary
44	Due to competing priorities, there was difficulty in coordinating joint operations with partner agencies, resulting in a total of six joint operations for the 2019–20 financial year. As such, we focussed on qualitative internal operations which successfully identified serious high-harm offences, with inspectors taking commensurate enforcement action against regulated entities. The identification of high-harm offences linked to intoxication and minors also resulted in two venues receiving five demerit point breaches - forcing a 24-hour closure due to their recalcitrant behaviour.
1,700	There was a significant reduction in administrative breaches from the previous year, down 69.8% from 2421 to 732. The educative processes and inspection regime we use assisted in this decrease, with licensees and venue operators more cognisant of their legislative obligations.
2,196	Of all inspections conducted 1075 were during high-risk times, which equates to 15.91% of all inspections conducted for the 2019–20 financial year. Inspectors ceased inspections in March 2020 due to coronavirus (COVID-19) which greatly impacted on the amount conducted. While this is the case, we still exceeded our target of 12% of inspections being conducted during high-risk times.
750	This increase is impacted by coronavirus (COVID-19) as it is largely attributed to the 380 complaints arising from the CHO Restricted Activity Directions (the Directions). In June 2020, inspectors were authorised under the Public Health and Wellbeing Act 2008 to enforce the Directions - limited to complaints about licensed premises and gaming venues.
18.69	During 2019–20, we conducted 15.91% of inspections during high-risk times. Prior to the coronavirus (COVID-19) restrictions placed on conducting inspections, this rate had reached 18.08%. Resources were appropriately targeted at high-harm times and high-risk venues, according to intelligence received and tasking via our Tasking and Coordination Committee.
1497	A total of 443 high-risk breaches were detected during 2019–20. As with administrative breaches this reduction indicated a further shift towards voluntary compliance within the liquor and gambling industries. Our educative and operational activities contributed to this reduction in identifying high-risk breaches.
N/A	There are 113 total application forms. The 32 forms currently online allow approximately 84% of all applications to be completed online.  In 2019–20, a further four forms moved online. Five more forms are under development and four of these were implemented in 2019–20
80	Calls exceeded resourcing capacity at peak times from July – December 2019.  The results reported for this indicator have been based on discrete six-month intervals. Due to progressive grade of service improvement between January and June 2020 the monthly results exceeded the 80% six-monthly target resulting in 85% achieved.
100	The 100% result is indicative of the commitment by management and staff to the performance management process.
Trends over time	An actual is not available for the June 2020 reporting period as the Victorian Public Sector Commission postponed the 2020 People Matter Survey due to coronavirus (COVID-19).
-	Results from the 2019–20 stakeholder survey revealed 88% satisfaction with the VCGLR. Ninety-six per cent of the 1,017 survey respondents completed the satisfaction question, with 52% very satisfied and 36% satisfied.

## APPENDIX EIGHT – GOVERNANCE

### Establishment

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

Since establishment on 6 February 2012, we have been responsible for regulating the gambling and liquor industries in Victoria.

### Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) in 2019–20 consisted of the following members:

- Mr David Boymal AM (Chairperson) (01 July 2019 to 30 June 2020)
- VCGLR Deputy Chairperson Helen Versey (01 July 2019 to 30 June 2020)
- VCGLR Deputy Chairperson Deirdre O'Donnell (01 July 2019 to 18 December 2019)
- VCGLR Commissioner Andrew Scott (18 December 2019 to 30 June 2020).

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

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

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

In 2019–20 the committee met five times: on 5 August 2019, 2 September 2019, 11 November 2019, 2 March 2020 and 25 May 2020.


### 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 2019–20 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

27 August 2020

## OTHER COMMITTEES

Two other committees contribute to the governance of the VCGLR.

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

The Legislation, Regulation and Policy Committee provides the Commission with advice and support regarding legislation, regulation and policy matters to assist the Commission to:

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

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

- 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 2019–20 the Committee met five times: on 5 September 2019, 31 October 2019, 5 December 2019, 16 April 2020 and 4 June 2020.

### **People and Culture Committee**

The People and Culture Committee advises and assists the Commission to help ensure that:

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

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

All Commissioners attend the People and Culture Committee which meets three times per year. In 2019–20 the committee met on 31 July 2019, 23 November 2019 and 30 April 2020.

## 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 significantly decreased with our focus on awareness and proactive management and identification of risks, with the number of incidents down by eight and the number of claims down by three.

Table 24 – Incidents, claims, fatalities and claim costs per 100 full time equivalents 2016–17 to 2019–20

Measure	KPI	2016 - 2017	2017 - 2018	2018 - 2019	2019–2020
<b>Incidents</b>	Number of Incidents <sup>a</sup>	12	12	16	8
	Rate per 100 FTE	6.09	5.7	7.61	3.7
<b>Claims</b>	Number of standard claims <sup>b</sup>	3	3	4	1
	Rate per 100 FTE	1.52	1.43	1.9	0.5
	Number of lost time claims <sup>b</sup>	3	3	4	1
	Rate per 100 FTE	1.52	1.43	1.9	0.5
<b>Fatalities</b>	Fatality claims	0	0	0	0
<b>Claim costs</b>	Average cost per standard claim <sup>b</sup>	\$ 95,640	\$ 34,388	\$ 130,908	\$102,072

<sup>a</sup> 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.

<sup>b</sup> Victorian WorkCover Authority (VWA) data supplied by agent as at 20 July 2020. Total standard claims and time-lost claims includes accepted and rejected claims. Average cost per standard claim is calculated using the total incurred claim costs. Total incurred claim costs is a total of claims costs paid and VWA statistical case estimates.

## FREEDOM OF INFORMATION

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

From 1 July 2019 to 30 June 2020, we received 35 FOI applications and an additional three were carried over from 2018–19 and determined in 2019–20. An additional one was received in 2019–20 but will be determined in 2020–21.

Three applications were referred to other agencies. Our average claim-processing time of 26 days was within the statutory requirement of 30 days.

**Table 25 – FOI requests received 2019–20**

Requests received	
<b>Initial decision</b>	
Granted in full	4
Partially granted	19
Denied	8
Previously released	0
In process	1
Non-existent document requested	0
Not proceeded with	0
Withdrawn	0
Transferred to another agency	3
<b>Total</b>	<b>35</b>

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

**Table 26 – Information about FOI requests 2019–20**

Information about requests	
Transferred from another agency	0
Average processing time (days)	26.15
Applications for review to the FOI Commissioner	3
Applications to the Victorian Civil and Administrative Tribunal	2
Complaints to the Office of the Victorian Information Commissioner	0

## **Making a Freedom of Information request**

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

FOI requests can be lodged online at [www.foi.vic.gov.au](http://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 in the possession of the VCGLR 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](http://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 VCGLR comprehensive policies and practices in place that are consistent with the Victorian Public Sector Commission's (VPSC) employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

Selection processes ensure that applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other accountable indicators without discrimination. 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 a strategic internal communications and staff engagement annual plan that embeds and promotes the organisation's values and employment principles across the organisation.

## **Comparative workforce data**

The full-time equivalent (FTE) component of VCGLR staffing in 2019–20 has remained consistent with the 2018–19 FTE.



Table 27 – FTE staffing trends (headcount) 2014 –2019

2020	2019	2018	2017	2016	2015	2014
210.64	210.37	210.48	197.04	178.55	183.79	183.92

Table 28 – Summary of employment levels at June 2018 and June 2019

	Ongoing employees			Fixed term and casual employees	
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
<b>Jun-20</b>	202	184	18	195.64	15
<b>Jun-19</b>	197	177	20	189.97	20.4

Table 29 – Annualised total salary (by \$20,000 bands) for executives and other senior non-executives

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

### 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 Public Administration Act or is a person to whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies. All figures reflect employment levels at the last full pay in June of the current year and of the corresponding previous reporting year.

Table 30 – Executive staffing profile by gender

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

Note: comparative data for 2018–19 is not available due to the reclassification of title for executive staff

## 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 2019–20, there were six consultancies where the total fees payable to the consultant were \$10,000 or greater.

The total expenditure incurred during 2019–20 in relation to the consultancies is \$297,416 (excluding GST). Details of individual consultancies are outlined below.

**Table 31 – Details of consultancies valued at \$10,000 or greater**

Consultant	Purpose of Consultancy	Start date	End date	Total Approved Project fee (excl. GST)	Expenditure 2019–20 (excl. GST)	Future Expenditure (excl. GST)
Qdos Research Pty Ltd	To undertake the development, execution and analysis of a survey to benchmark industry satisfaction. (Carry over from 2018–19)	June 2019	July 2019	\$28,100	\$7,025	nil
Grosvenor Performance Group Pty Ltd	To analyse, develop and implement an evaluation framework to assess the effectiveness of VCGLR's risk-based approaches to compliance and licensing.	October 2019	June 2020	\$85,389	\$82,088	nil
IBM Australia Ltd	To develop business case and options to replace legacy application, including market scan, global review of potential solutions and recommended option.	May 2020	June 2020	\$96,880	\$96,880	nil
Risklogic Pty Ltd	Provision of services for analysis of current business continuity plan and pandemic response and development of a robust framework.	Mar 2020	Apr 2020	\$41,515	\$41,515	nil
Eyres and Associates	To assist with development of Corporate Plan and Workforce Strategy.	September 2019	October 2019	\$13,120	\$13,120	nil
The Shannon Company Pty Ltd	Provision of services related to analysis and advice on VCGLR communication strategy.	August 2019	December 2019	\$57,245	\$56,788	nil
				<b>\$322,249</b>	<b>\$297,416</b>	

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

In 2019–20, there were three consultancies engaged during the year where the total fees payable to the individual consultancies were less than \$10,000.

Consultant	Purpose of Consultancy	Start date	End date	Total Approved Project fee (excl. GST)	Expenditure 2019–20 (excl. GST)	Future Expenditure (excl. GST)
Ensyst Pty Limited	Provision for services for analysis and recommendations for development of the VCGLR Unified Communications Strategy.	June 2019	June 2019	\$6,300	\$6,300	nil
Victorian Public Sector Commission	Provision of services in relations to evaluation and implementation of Executive classification.	November 2019	December 2019	\$9,000	\$9,000	nil
Telstra	Review of VCGLR's ageing IT communications infrastructure and analysis and recommendation for potential solutions.	May 2020	June 2020	\$9,360	\$9,360	nil
				<b>\$24,660</b>	<b>\$24,660</b>	

## Information and Communication Technology expenditure

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

Table 32 – ICT expenditure 2019–2020

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
BAU ICT expenditure Total	Non BAU ICT expenditure (Total = Operational expenditure and capital expenditure)	Operational expenditure	Capital expenditure
\$ (excl. GST)	\$ (excl. GST)	\$(excl.GST)	\$(excl.GST)
7,790,088	560,277	224,063	336,215

### Disclosure of major contracts

We did not enter into any contracts with a value greater than \$10 million in 2019–20.

Summary details of contracts with a commitment greater than \$100,000 entered into during the 2019–20 year have been published on the Victorian Government website: [tenders.vic.gov.au](http://tenders.vic.gov.au)

### Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012* encourages and assists people in 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 members and staff of the VCGLR 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.

### 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'. The 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. Our results in this space in general have been on a gradual upwards trend, including matters related to employees with a disability.

## Local Jobs First

The *Local Jobs First Act 2003* brings together the Victorian Industry Participation Policy (VIPPP) and Major Project Skills Guarantee (MPSG) 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 1,5328,823 megajoules (MJ) of electricity across our North Richmond office tenancy during the 2019–20 year – approximately 330.54 MJ per square metre. This equates to total greenhouse gas emissions of 455.59 tonnes of CO<sub>2</sub>-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.

Where appropriate, we also provide shredded paper waste to the North Richmond community garden for use as compost material.

### Paper

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

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

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 2019–20 our paper use was significantly less due to our workforce working from home from March – June 2020 in response to coronavirus (COVID-19) measures.

Table 33 – Paper use 2018–19 and 2019–20

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

### 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 2019–20 we maintained a fleet of 12 operational vehicles and five executive vehicles leased from the Department of Treasury and Finance (DTF) VicFleet.

This year was the second full year of our regional offices in Ararat and Sale where two fleet vehicles were assigned to each office.

Table 34 – Petrol use for transport 2018–19 and 2019–20

All vehicles	2018–19	2019–20
Litres of petrol used <sup>1</sup>	35,498.04	30,072.08
Litres per vehicle (average)	1,972.11	1,768.95

<sup>1</sup> The change in compliance operations due to coronavirus (COVID-19) has reduced the overall fuel consumption average for the 2019–20 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 Compliance Inspectors carrying out inspections and operations in the inner city and suburbs and to reduce demand on the vehicle fleet.

## Greenhouse gas emissions

As a tenant in a multi-lease commercial building, 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 2019–20 we purchased only 100 per cent recycled paper and operated multi-function devices that are environmentally endorsed. Energy-efficient equipment is purchased wherever it is cost-effective to do so.

## Additional information available upon request

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

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the organisation about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the organisation
- details of any major external reviews carried out on the organisation
- details of major research and development activities undertaken by the organisation

- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the organisation to develop community awareness of the VCGLR and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- details of the types of inquiries held by the VCGLR in 2019–20
- 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](http://data.vic.gov.au), with 12 VCGLR datasets and data tools available on the Victorian Government Data Directory.



# FINANCIAL STATEMENTS

For the financial year ended 30 June 2020



# 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 2020. The following structure to provide users with the information about the VCGLR's stewardship of resources entrusted to it.

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Independent auditor's report

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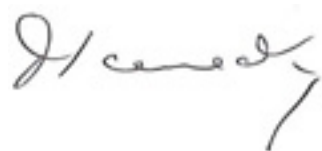
# DECLARATION IN THE FINANCIAL STATEMENTS

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, fairly presents the financial transactions during the year ended 30 June 2020 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2020.

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 8 September 2020.



**Ross Kennedy**

Chairperson



**Catherine Myers**

Chief Executive Officer



**Michael Everett**

Director Corporate Services & Chief Finance Officer

Melbourne

8 September 2020

# Independent Auditor's Report

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

<b>Opinion</b>	<p>I have audited the financial report of the Victorian Commission for Gambling and Liquor Regulation (the Commission) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2020</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration in the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants</i> (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.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Key audit matters</b>	<p>Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.</p>

**Application of new accounting standards AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* to gambling licences and a lease arrangement**

Refer to Note 4.1 Administered items

**Administered licence revenue:** \$146.1m  
**Administered contract liability:** \$551.3m  
**Administered deferred lease income:** \$149.7m

I considered this to be a key audit matter because:

- there are several types of gambling licence arrangements with complex legislative and contractual rights and obligations
- administered transactions and balances associated with the gambling licence arrangements are financially significant
- the first-year application of AASB 15 and AASB 16 involves significant management judgment, and the accounting is complex, requiring significant interpretation – of particular complexity was the accounting for the Casino licence and associated concessionary lease arrangement
- accounting standards require extensive financial report disclosures.

My key audit procedures included:

- assessing key legislation and contractual arrangements associated with each significant gambling licence arrangement
- engaging a legal expert to assist in interpreting legislative and contractual arrangements where required
- assessing management’s accounting papers for the first-time adoption of AASB 15 for each significant gambling licence arrangement
- evaluating significant judgments made by management in determining the appropriate accounting policy
- assessing a sample of administered revenue and income arrangements against the requirements of AASB 15
- verifying the completeness of data and the accuracy of calculations
- additionally, for the Casino licence and associated concessionary lease arrangement, assessing the:
  - methodology, judgment and inputs used by management in estimating the relative stand-alone prices of the Casino licence and lease arrangement
  - methodology used for allocating the consideration to the Casino licence and the concessionary lease arrangement
  - judgment applied by management in determining the timing of recognition of revenue from the Casino licence
- assessing the appropriateness of financial statements disclosures against the requirements of Australian Accounting Standards.

**Commissioners’ responsibilities for the financial report**

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 *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Commissioners are responsible for assessing the 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.

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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 our 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.

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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.

From the matters communicated with the Commissioners, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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MELBOURNE  
16 September 2020



Janaka Kumara  
*as delegate for the Auditor-General of Victoria*

# COMPREHENSIVE OPERATING STATEMENT

for the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Income from transactions</b>			
Grants	2.1	38,491,615	43,394,325
<b>Total income from transactions</b>		<b>38,491,615</b>	<b>43,394,325</b>
<b>Expenses from transactions</b>			
Employee expenses	3.2.1	(26,769,066)	(26,835,642)
Depreciation and amortisation expense	5.1.1	(3,191,278)	(2,444,851)
Other operating expenses	3.3	(8,516,331)	(14,113,790)
<b>Total expenses from transactions</b>		<b>(38,476,675)</b>	<b>(43,394,283)</b>
<b>Net result from transactions (net operating balance)</b>		<b>14,940</b>	<b>41</b>
<b>Other economic flows included in net result</b>			
Net gains/(losses) on non-financial assets <sup>(i)</sup>		(8,494)	178
Other gains/(losses) from other economic flows <sup>(ii)</sup>		(109,438)	(466,367)
<b>Total other economic flows included in net result</b>		<b>(117,932)</b>	<b>(466,189)</b>
<b>Net result</b>		<b>(102,992)</b>	<b>(466,148)</b>
<b>Comprehensive result</b>		<b>(102,992)</b>	<b>(466,148)</b>

The accompanying notes form part of these financial statements.

Notes:

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

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

# BALANCE SHEET

as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7.2	816,804	777,478
Receivables	6.1	13,686,387	10,217,562
<b>Total financial assets</b>		<b>14,503,191</b>	<b>10,995,040</b>
<b>Non-financial assets</b>			
Property, plant and equipment	5.1	1,036,627	1,950,488
Intangible assets	5.2	5,139,137	5,558,365
Prepayments	6.3	801,587	555,574
<b>Total non-financial assets</b>		<b>6,977,351</b>	<b>8,064,427</b>
<b>Total assets</b>		<b>21,480,542</b>	<b>19,059,467</b>
<b>Liabilities</b>			
Payables	6.2	3,773,552	1,835,802
Leases	7.1	461,951	382,682
Provisions	3.2.2	7,824,443	7,323,782
<b>Total liabilities</b>		<b>12,059,946</b>	<b>9,542,266</b>
<b>Net assets</b>		<b>9,420,596</b>	<b>9,517,201</b>
<b>Equity</b>			
Accumulated surplus/(deficit)		1,518,932	1,621,924
Contributed capital		7,901,664	7,895,277
<b>Net worth</b>		<b>9,420,596</b>	<b>9,517,201</b>

The accompanying notes form part of these financial statements.

# CASH FLOW STATEMENT

for the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from Government		35,022,790	42,500,080
Goods and services tax recovered from the Australian Taxation Office (ATO) <sup>(i)</sup>		985,197	999,734
<b>Total receipts</b>		<b>36,007,987</b>	<b>43,499,814</b>
<b>Payments</b>			
Payments to suppliers and employees		(34,187,634)	(42,042,938)
<b>Total payments</b>		<b>(34,187,634)</b>	<b>(42,042,938)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>7.2.1</b>	<b>1,820,353</b>	<b>1,456,876</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets		(989,352)	(1,328,992)
<b>Net cash flows from/(used in) investing activities</b>		<b>(989,352)</b>	<b>(1,328,992)</b>
<b>Cash flows from financing activities</b>			
Repayment of principal portion of lease liabilities (2019: finance leases) <sup>(ii)</sup>		(791,674)	(86,712)
<b>Net cash flows from/(used in) financing activities</b>		<b>(791,674)</b>	<b>(86,712)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>39,327</b>	<b>41,173</b>
Cash and cash equivalents at the beginning of the year		777,478	736,305
<b>Cash and cash equivalents at the end of the year</b>	<b>7.2</b>	<b>816,805</b>	<b>777,478</b>

The accompanying notes form part of these financial statements.

Notes:

<sup>(i)</sup> Goods and services tax recovered from the ATO is presented on a net basis.

<sup>(ii)</sup> 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 2020

	Notes	Accumulated surplus \$	Contributed capital \$	Total \$
<b>Balance at 1 July 2018</b>		<b>2,088,072</b>	<b>7,895,562</b>	<b>9,983,634</b>
Net result for the year		(466,148)	0	(466,148)
Equity transfer within government		0	(285)	(285)
<b>Balance at 30 June 2019</b>		<b>1,621,924</b>	<b>7,895,277</b>	<b>9,517,201</b>
Net result for the year		(102,992)	0	(102,992)
Equity transfer within government		0	6,387	6,387
<b>Balance at 30 June 2020</b>		<b>1,518,932</b>	<b>7,901,664</b>	<b>9,420,596</b>

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

## Basis of preparation

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

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

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

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

## Compliance information

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

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

## 2 FUNDING DELIVERY OF OUR SERVICES

### Introduction

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

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

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

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

### 2.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES

	2020	2019
	\$	\$
Grants	38,491,615	39,140,990
Specific purpose grants	0	4,253,335
<b>Total income from transactions</b>	<b>38,491,615</b>	<b>43,394,325</b>

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

The VCGLR has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058 *Income of Not-for-Profit Entities* (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).

The impact of initially applying AASB 1058 on the VCGLR's grant revenue is described in Note 9.7. Due to the modified retrospective transition method chosen in applying AASB 1058, comparative information has not been restated to reflect the new requirements. The adoption of AASB 1058 did not have an impact on the comprehensive operating statement and the cash flow statement for the financial year.

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 Australian Accounting Standards. Related amounts may take the form of:

- a) contributions by owners, in accordance with 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 16 *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.

In 2019–20, the VCGLR received nil special appropriation (2019: \$4.3 million (m)).

### **Previous accounting policy for 30 June 2019**

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

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

### **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 which can form a part of the section 29 agreement include proof of age cards and supply of responsible service of alcohol printed materials to the registered training organisations in Victoria.

During the reporting period, the VCGLR received \$0.581m in annual grant under section 29 of the FMA agreement (2019: \$0.748m).

## 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	2020 \$	2019 \$
Employee expenses	3.2.1	26,769,066	26,835,642
Other operating expenses	3.3	8,516,331	14,113,790
<b>Total expenses incurred in delivery of services</b>		<b>35,285,397</b>	<b>40,949,432</b>

### 3.2 EMPLOYEE EXPENSES

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

	2020 \$	2019 \$
<b>Employee expenses</b>		
Salaries and wages, annual leave and long service leave	23,384,180	23,438,913
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	1,287,827	1,239,750
Superannuation	2,097,059	2,130,980
Termination benefits	0	25,999
<b>Total employee expenses</b>	<b>26,769,066</b>	<b>26,835,642</b>

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

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

The Department of Treasury and Finance (DTF) in its 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.

### 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.

	2020 \$	2019 \$
<b>Current provisions</b>		
<b>Employee benefits – annual leave <sup>(i)</sup></b>		
Unconditional and expected to settle within 12 months	1,866,584	1,667,537
Unconditional and expected to settle after 12 months <sup>(ii)</sup>	271,443	231,779
<b>Employee benefits – long service leave <sup>(i)</sup></b>		
Unconditional and expected to settle within 12 months	439,752	386,871
Unconditional and expected to settle after 12 months <sup>(ii)</sup>	3,176,038	3,110,512
<b>Provisions relating to employee benefit on-costs</b>		
Unconditional and expected to settle within 12 months	322,895	282,087
Unconditional and expected to settle after 12 months <sup>(ii)</sup>	545,449	522,635
<b>Total current provisions</b>	<b>6,622,161</b>	<b>6,201,421</b>
<b>Non-current provisions</b>		
Employee benefits - long service leave <sup>(i)</sup>	1,036,871	969,743
Employee benefit on-costs	165,411	152,618
<b>Total non-current provisions</b>	<b>1,202,282</b>	<b>1,122,361</b>
<b>Total provisions</b>	<b>7,824,443</b>	<b>7,323,782</b>

Notes:

<sup>(i)</sup> Employee benefits consist of annual leave and long service leave accrued by employees. Oncosts such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.

<sup>(ii)</sup> Amounts are measured at present values.

#### Reconciliation of movement in on-cost provision

	2020 \$	2019 \$
<b>Opening balance</b>	<b>957,340</b>	<b>855,635</b>
Additional provisions recognised	379,329	401,855
Reductions arising from payments/other sacrifices of future economic benefits	(302,915)	(300,150)
<b>Closing balance</b>	<b>1,033,755</b>	<b>957,340</b>
Current	868,344	804,722
Non-current	165,411	152,618
<b>Total employee benefits related on-costs</b>	<b>1,033,755</b>	<b>957,340</b>

**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 plan(s) provides a benefit(s) based on years of service and final average salary.

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

	Paid contribution for year end		Contribution outstanding at year end	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Defined benefit plans<sup>(i)</sup>:</b>				
Emergency Services and State Super	182,888	211,341	6,611	5,022
<b>Defined contribution plans:</b>				
VicSuper	1,070,332	1,135,513	30,632	23,762
Various other	783,006	738,427	23,589	16,917
<b>Total</b>	<b>2,036,226</b>	<b>2,085,281</b>	<b>60,832</b>	<b>45,701</b>

Note:

<sup>(i)</sup> 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

	2020 \$	2019 \$
<b>Supplies and services</b>		
IT licence and maintenance	2,620,663	2,646,584
Professional services	2,166,007	2,344,579
Occupancy costs <sup>(i)</sup>	1,436,364	1,893,227
Other occupancy related costs	949,386	1,285,284
Low-value lease expenses	8,586	0
Postage and advertising	116,549	128,431
Printing, stationery and office requisites	317,254	403,544
Training and development	178,085	295,004
Motor vehicle running costs	60,950	85,959
Telephone and other communication expenses	119,442	113,254
Travel and related expenses	82,474	98,601
Interest expense	26,646	11,444
Other	433,925	554,544
Payments and refunds against specific purpose grants	0	4,253,335
<b>Total other operating expenses</b>	<b>8,516,331</b>	<b>14,113,790</b>

Note:

<sup>(i)</sup> During 2019–20, the VCGLR recognised and subsequently transferred right-of-use assets related to the DTF as part of government's Centralised Accommodation Management (CAM) strategy. Subsequently, a service agreement for office occupancy services was executed with the DTF. The agreement has been evaluated against the lease evaluation criteria and management assessment concluded that it does not form a lease. Refer to Note 7.1 for details.

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.

**Operating lease payments up until 30 June 2019** are recognised on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, 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 which are paid directly into the Consolidated Fund. The VCGLR does not gain control over these resources and accordingly, they are not recognised as income in the comprehensive operating statement. Transactions and balances relating to these resources (except as otherwise disclosed) are accounted for on the same basis and using the same accounting policies as for VCGLR items. Both controlled and administered items of the VCGLR are consolidated into the financial statements of the state.

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

#### 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.

The impact of initially applying AASB 15 on the VCGLR's administrative income from contracts with customers is described below. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

The following practical expedient is used for uncompleted contracts when applying AASB 15 retrospectively under the modified approach:

- for contracts modified before the date of initial application, the VCGLR has reflected the aggregate of all past contracts modifications that occurred before the date of initial application when identifying performance obligations and determining and allocating the transaction price.

The practical expedient has been consistently applied to all contracts and disclosed where applicable within the current reporting period.

#### Performance obligations and revenue recognition policies under AASB 15

##### 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, the VCGLR recognises revenue at the point in time when the licence is issued.

There has been no change in the recognition pattern of licence revenues except for the Casino licence. The impact of the transition to AASB 15 on the Casino licence is summarised below.

### Summary of impact of transition to AASB 15 and AASB16 on the Casino licence

In 1993, the state entered into two separate agreements with Crown; a casino licence agreement and a land lease agreement for 99 years. These agreements allowed Crown to build and operate a casino in Melbourne. Under the lease agreement, Crown pays the state a peppercorn rent for the first 40 years of the lease period (until 2033), followed by market rental rates for the remaining 59 years. As the casino licence and lease were negotiated as a package with an overall commercial objective that cannot be understood without considering the contracts together, management has made a judgement to combine these agreements for allocation of total consideration or transaction price.

Management has also 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.

Management has applied paragraph 17 of AASB 16 to allocate the consideration received and receivable under the arrangement between the lease and the non-lease components, based on the stand-alone selling prices of each component. The stand-alone selling price of the lease has been estimated using a market value approach by reference to the present value of market rent for similar properties in a similar location, with the residual consideration being allocated to the casino licence. Management considers the residual approach to be appropriate as there is no active market for a casino licence and the State has not previously sold a similar casino licence on a stand-alone basis. This resulted in an allocation of \$161.2m on 1 July 2019 to the land lease from the total consideration received.

Management has determined that the only performance obligation relating to the casino licence, is the issue of the licence. The casino licence conditions do not permit VCGLR to amend or cancel the licence unilaterally under the *Casino Control Act 1991*. The casino, therefore, gained control of the full benefits of the licence when it was issued, the revenue is recognised at that point in time. The lease revenue is recognised over the term of the lease and the consideration received in advance is recognised as deferred lease income.

The Financial Reporting Direction 121 *Transitional requirements on the application of AASB 15 Revenue from Contracts with Customers (March 2020)* requires that "an entity shall apply the AASB 15 requirements retrospectively, with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2018 for For-Profit entities (date of initial application) and 1 July 2019 for Not-For-Profit entities". The VCGLR has applied the modified retrospective method with the cumulative effect of initially applying these standards adjusted against the opening retained earnings. The impact of applying these standards has resulted in an adjustment to the accumulated surplus/(deficit) funds of \$219.5m as of 1 July 2019. Refer to the Transactions on behalf of the government Table for further details.

The deferred lease income balance related to the peppercorn lease for the casino as at 30 June 2020 is \$149.7m.

Comparative information in the Administrative items note has not been restated.

### Previous accounting policy for 30 June 2019

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

### Taxation revenue

Administered items also include gambling taxes, fees and fines. Taxes are accounted for under AASB 1058 *Income of Not-for-Profit Entities (AASB 1058)* as the revenue 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.

## Major licences

The following is a list of the major licences. The total licence income recognised for these major licences during the year is \$146.1m (2019: \$161m).

## 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 \$96m is recognised as contract liability as at 30 June 2020 (2019: \$108m).

## 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 \$11m is recognised as contract liability as at 30 June 2020 (2019: \$17m).

## Wagering and betting licences

An amount of \$410m which was received on 19 January 2012 for Wagering and Betting licence is to be recognised over 12 years. The licence became operational on 16 August 2012 and \$139.5m is recognised as contract liability as at 30 June 2020 (2019: \$173.7m).

## Electronic gaming machine licences

During the period ended 30 June 2010, amounts on behalf of the government were collected in relation to the electronic gaming machine entitlements (licences). The licences became operational 16 August 2012. The contract liability recognised is \$198.8m as at 30 June 2020 (2019: \$292.7m).

Following the allocation on the EGM Entitlements Post 2022, a total of \$106m has been received for 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:

- Guaranteed payments of at least \$35m per annum over six years till 30 June 2021 in respects of tax on Gross Gaming Revenue and Commission Based Players' Gaming Revenue from new gaming products.
  - Under the terms of the contract, if the actual casino tax (tax guarantee) from new gaming product referable to any financial year during the guarantee period is less than the guaranteed sum, Crown will pay the difference to the State. During the period ended 30 June 2020, the casino tax payments from the new gaming products was lower than the \$35m tax guarantee, however, the Minister for Gaming and Liquor Regulation has waived the additional payment required to meet the minimum tax guarantee as part of government assistance for businesses in response to coronavirus (COVID-19).
  - 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 total transaction price. It is reviewed and adjusted annually depending on 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 is assessed annually for impairment by comparison of the original revenue modelling against the actual revenues over the years of the agreement. Management's assessment for the current reporting period indicates that its receipt is no longer certain therefore the contingent payment has been reversed.

The deferred lease income recognised for the casino lease is \$149.7m as at 30 June 2020. (2019: prior to AASB 15 and AASB 16 adjustments, contract liability of \$378m). The lease revenue recognised for the casino during the year is \$11.5m.

As at 30 June 2020, a total of \$701m is recognised as contract liabilities and deferred lease income by the VCGLR (2019: \$1,075.4m).

## Transactions on behalf of the government

	2020 \$'000	2019 \$'000
<b>Administered revenue and income</b>		
Appropriations - Payments on behalf of the State	38,794	36,000
Gaming Taxation	749,360	1,023,376
Licence Fees	468	574
Minor Gaming	17	21
Keno	9,787	11,317
Casino Taxation, Licence Fees and lease Income	160,928	240,995
Racing Taxation and Licence Fees	0	8,363
Public Lotteries	557,066	547,464
Tabcorp Supervision Fee	2,959	2,131
Tattersall's Supervision Fee	663	830
Venue Operators Supervision Fees	5,360	5,053
Lottery Premium Payment	12,000	12,000
Liquor Licence and Application Fees	1,871	2,505
Gambling Venue Licence Fees	93,914	96,927
Wagering and Betting Taxation and Licence Fees	34,167	53,707
Miscellaneous	7,583	10,722
<b>Total administered income</b>	<b>1,674,937</b>	<b>2,051,984</b>
<b>Administered expenses</b>		
Payments made to other jurisdictions	(38,794)	(36,000)
Payments to consolidated fund	(1,551,235)	(1,892,367)
Bad and doubtful debts	(12)	0
<b>Total administered expenses</b>	<b>(1,590,041)</b>	<b>(1,928,367)</b>
<b>Other economic flows</b>		
Net gain/(loss) on financial assets	(118,381)	(162)
<b>Total other economic flows</b>	<b>(118,381)</b>	<b>(162)</b>
<b>Total expenses including economic flows</b>	<b>(1,708,422)</b>	<b>(1,928,530)</b>
<b>Net result from transactions (net operating balance)</b>	<b>(33,485)</b>	<b>123,454</b>

## Transactions on behalf of the government continued

	2020 \$'000	2019 \$'000
<b>Assets</b>		
<b>Current Assets</b>		
Receivables and contract assets	66,976	162,807
<b>Total current assets</b>	<b>66,976</b>	<b>162,807</b>
<b>Non-Current Assets</b>		
Receivables and contract assets	131,200	224,289
<b>Total non-current assets</b>	<b>131,200</b>	<b>224,289</b>
<b>Total assets</b>	<b>198,176</b>	<b>387,096</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Contract liability and deferred lease income	157,347	158,590
Payables	3,424	3,943
<b>Total current liabilities</b>	<b>160,771</b>	<b>162,533</b>
<b>Non-current liabilities</b>		
Contract liability and deferred lease income	543,739	916,872
<b>Total non-current liabilities</b>	<b>543,739</b>	<b>916,872</b>
<b>Total liabilities</b>	<b>704,510</b>	<b>1,079,405</b>
<b>Net Assets</b>	<b>(506,334)</b>	<b>(692,309)</b>

## Statement in changes in equity

	Accumulated surplus/(deficit)	Total
	\$'000	\$'000
<b>Balance at 1 July 2018</b>	<b>(815,763)</b>	<b>(815,763)</b>
Net result for the year	123,454	123,454
<b>Balance at 30 June 2019 (Before new accounting standards)</b>	<b>(692,309)</b>	<b>(692,309)</b>
Change in accounting policy (due to AASB 15)	219,460	219,460
<b>Restated balance at 1 July 2019</b>	<b>(472,849)</b>	<b>(472,849)</b>
Net result for the year	(33,485)	(33,485)
<b>Balance at 30 June 2020</b>	<b>(506,334)</b>	<b>(506,334)</b>

### Impact of coronavirus (COVID-19)

Coronavirus (COVID-19) had a significant impact on the Australian economy including liquor and gambling industries in Victoria. 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 coronavirus (COVID-19) however since the declaration of the State of Emergency in March 2020, Victoria's pubs, clubs and gaming venues have temporarily closed resulting in a significant reduction in gambling taxes from gaming venues, casino and venues operating Keno.

During 2019–20, the VCGLR received a total of \$1.8m in liquor licence fees. Of the total fees received, \$0.516m was refunded to the licensees by the State Revenue Office as part of the government's Economic Stimulus Package for the industry. The government has also waived liquor licence fees for new applications resulting in a total of \$0.556m in waivers to the end of 30 June 2020.

While several factors impact administrative income, the overall reduction in 2019–20 administrative income compared to 2018–19, is largely attributable to the resultant lower gambling taxation and liquor licence revenue since March 2020.

As the restrictions continue beyond 30 June 2020, the impact is expected to continue in 2020-21.

## 5 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

### Introduction

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

### 5.1 PROPERTY, PLANT AND EQUIPMENT <sup>(i)</sup>

	2020 \$	2019 \$
<b>Leasehold improvements</b>		
At Fair value	6,520,522	6,520,522
Less: Accumulated depreciation	(6,356,809)	(5,437,119)
	<b>163,713</b>	<b>1,083,403</b>
<b>Computer and communication equipment</b>		
At Fair value	1,393,681	1,223,480
Less: Accumulated depreciation	(1,014,415)	(838,010)
	<b>379,266</b>	<b>385,470</b>
<b>Plant, equipment and vehicles</b>		
At Fair value	129,345	188,314
Less: Accumulated depreciation	(94,806)	(139,087)
	<b>34,539</b>	<b>49,227</b>
<b>Leased property and vehicles <sup>(ii)</sup></b>		
At Fair value	575,028	527,750
Less: Accumulated amortisation	(115,919)	(146,362)
	<b>459,109</b>	<b>381,388</b>
<b>Capital work in progress</b>		
At Cost	0	51,000
	<b>0</b>	<b>51,000</b>
<b>Total property, plant and equipment</b>		
At Fair value	8,618,576	8,511,066
Less: Accumulated depreciation	(7,581,949)	(6,560,578)
<b>Net carrying amount of property, plant and equipment</b>	<b>1,036,627</b>	<b>1,950,488</b>

Notes:

<sup>(i)</sup> AASB 16 Leases has been applied for the first time from 1 July 2019.

<sup>(ii)</sup> This balance represents the initial recognition of right-of-use assets on the balance sheet on 1 July 2019 along with the transfer from finance lease assets (recognised under AASB 117 at 30 June 2019) to right-of-use assets (recognised under AASB 16 at 1 July 2019).



## 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 (under AASB 117 until 30 June 2019) 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 and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, 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 (Under AASB 16 – Leases from 1 July 2019) – 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 cost which 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 to restore the underlying asset or the site on which it is located, less any lease incentive received.

## 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 amortised replacement 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<sup>(i)</sup>

	2020 \$	2019 \$
<b>Depreciation of property, plant and equipment</b>		
Computer and communication equipment	205,586	211,578
Plant, equipment and motor vehicles	9,200	19,891
Leasehold improvements-office fit-out	919,690	917,004
<b>Amortisation expense</b>		
Right-of-use property	718,189	0
Right-of-use vehicles	86,908	85,804
Internally developed software	1,251,705	1,210,575
<b>Total depreciation and amortisation expense</b>	<b>3,191,278</b>	<b>2,444,851</b>

Note:

<sup>(i)</sup> The table incorporates amortisation of right-of-use assets as AASB 16 Leases applied for the first time from 1 July 2019.

All assets that have finite useful lives are depreciated or amortised. The exceptions to this rule include items under operating 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 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 has been 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 2019–20.

## 5.1.2 Carrying values by 'purpose group'

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

	Leasehold improvements		Computer and communication equipment	
	at fair value		at fair value	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Opening balance</b>	<b>1,083,403</b>	<b>1,993,147</b>	<b>385,470</b>	<b>378,083</b>
Recognition of right-of-use assets on initial application of AASB 16 <sup>(ii)</sup>	0	0	0	0
<b>Adjusted balance at 1 July 2019</b>	<b>1,083,403</b>	<b>1,993,147</b>	<b>385,470</b>	<b>378,083</b>
Additions	0	7,260	74,732	218,965
Transfer from intangibles	0	0	0	0
Capitalisation from capital work in progress	0	0	124,648	0
Disposals	0	0	0	0
Transfer to disposal group held for sale	0	0	0	0
Transfer to another government entity	0	0	0	0
Depreciation and amortisation expense	(919,690)	(917,004)	(205,586)	(211,578)
<b>Closing balance</b>	<b>163,713</b>	<b>1,083,403</b>	<b>379,264</b>	<b>385,470</b>

Notes:

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

<sup>(ii)</sup> The leased property and vehicles balance represents the initial recognition of right-of-use assets initial recognition for operating leases on the balance sheet on 1 July 2019 and amounts transferred from finance lease assets (recognised under AASB 117 at 30 June 2019) to right-to-use assets (recognised under AASB 16 at 1 July 2019). Refer to Note 9.7.

<sup>(iii)</sup> The leased property recognised as right-to-use asset on initial application of AASB 16 was transferred to the DTF as part of the Centralised Accommodation Management Strategy on 1 November 2019.

Plant, equipment and vehicles at fair value		Leased property and vehicles at fair value		Capital work in progress at cost		Total	
2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
<b>49,227</b>	<b>38,081</b>	<b>381,389</b>	<b>273,877</b>	<b>51,000</b>	<b>0</b>	<b>1,950,489</b>	<b>2,683,188</b>
0	0	2,513,662	0	0	0	2,513,662	0
<b>49,227</b>	<b>38,081</b>	<b>2,895,051</b>	<b>273,877</b>	<b>51,000</b>	<b>0</b>	<b>4,464,151</b>	<b>2,683,188</b>
0	31,037	296,854	266,799	0	51,000	371,586	575,061
0	0	0	0	73,648	0	73,648	
0	0	0	0	(124,648)	0	0	0
(5,488)	0	(132,225)	(40,980)	0		(137,713)	(40,980)
0	0		(32,503)	0	0	0	(32,503)
0	0	(1,795,473)	0	0	0	(1,795,473)	0
(9,200)	(19,891)	(805,097)	(85,804)	0	0	(1,939,573)	(1,234,277)
<b>34,539</b>	<b>49,227</b>	<b>459,100</b>	<b>381,389</b>	<b>0</b>	<b>51,000</b>	<b>1,036,627</b>	<b>1,950,489</b>

## 5.2 INTANGIBLE ASSETS

	Intangibles		Capital work in progress		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
<b>Opening balance</b>	<b>4,954,122</b>	<b>5,461,230</b>	<b>604,243</b>	<b>286,981</b>	<b>5,558,366</b>	<b>5,748,211</b>
Additions	0	0	914,620	1,020,729	914,620	1,020,729
Capitalisation from capital work in progress	905,341	703,467	(905,341)	(703,467)	0	0
Transfer to PPE	0	0	(73,648)	0	(73,648)	0
Disposals	(8,495)	0	0	0	(8,495)	0
Amortisation expense <sup>(i)</sup>	(1,251,705)	(1,210,575)	0	0	(1,251,705)	(1,210,575)
<b>Net book value at end of financial year</b>	<b>4,599,265</b>	<b>4,954,122</b>	<b>539,874</b>	<b>604,243</b>	<b>5,139,137</b>	<b>5,558,365</b>

Notes:

<sup>(i)</sup> 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.

<sup>(ii)</sup> 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:

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

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 2019–20.

## 6 OTHER ASSETS AND LIABILITIES

### Introduction

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

### 6.1 RECEIVABLES

	2020	2019
	\$	\$
<b>Current receivables</b>		
<b>Contractual</b>		
Receivables	14,655	30,429
<b>Statutory</b>		
Amounts owing from the DJCS <sup>(i)</sup>	12,399,112	8,938,858
GST Input tax credits recoverable	70,338	125,914
<b>Total current receivables</b>	<b>12,484,105</b>	<b>9,095,201</b>
<b>Non-current receivables</b>		
<b>Statutory</b>		
Amounts owing from the DJCS <sup>(i)</sup>	1,202,282	1,122,361
<b>Total non-current receivables</b>	<b>1,202,282</b>	<b>1,122,361</b>
<b>Total receivables</b>	<b>13,686,387</b>	<b>10,217,562</b>

Note:

<sup>(i)</sup> 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

	2020	2019
	\$	\$
<b>Contractual</b>		
Creditors	2,446,326	57,573
Accrued wages and salaries	738,143	562,323
Accrued expenses	589,083	1,215,907
<b>Total payables</b>	<b>3,773,552</b>	<b>1,835,803</b>

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

**Statutory payables** are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Payables consist predominantly of creditors and accruals on wages and salaries and expenses and are recognised at amortised cost. Payables represent liabilities for goods and services provided to the VCGLR prior to the end of a period that are unpaid and arises 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 coronavirus (COVID-19) pandemic, the payment terms were changed to initially 5 days and now 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 financing activities of the VCGLR.

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

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

Borrowings at the VCGLR relate to lease liabilities for right-of-use of motor vehicle and properties.

**Interest expense** refers to the interest component of lease repayments. Interest expense is recognised in the period in which it is incurred.

## 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.

For the year ending 30 June 2020, the VCGLR was committed to a low-value lease and the total commitment at the date was \$8,903.

In October 2019, the VCGLR agreed to CAM services with the DTF Shared Service Provider (SSP). Following this agreement, the right-of-use asset and lease liability recognised for the accommodation leases at that date were de-recognised and transferred to SSP as a transfer through equity, in accordance with the requirements of FRD 119A *Transfers through contributed capital*. From November 2019, the accommodation has been recognised as an occupancy expense (Note 3.2 Other operating expenses) and the commitment for the service payments recognised in Note 7.3.

### Significant judgement

The agreement allows the VCGLR to use accommodation however, under the agreement, the VCGLR does not gain control or has the right to direct use of the assets. A significant judgement was made that the occupancy agreement is a service contract (rather than a 'lease' as defined in AASB 16). The cost for the accommodation and other related services are expensed (Note 3.2 Other operating expenses) based on agreed payments in the occupancy agreement.

### 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 2020, a total of \$26,646 as interest expense on lease liabilities is recognised in the comprehensive operating statement. The lease interest expense is included in note 3.2.

## 7.1.1 (c) Amounts recognised in the cash flow statement

For the year ending 30 June 2020, the total cash outflow for leases recognised in the cash flow statement is \$0.792m.

For any new contracts entered into on or after 1 July 2019, 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 (under AASB 16 from 1 July 2019)

### 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.

### Recognition and measurement of leases (under AASB 117 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

The VCGLR determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where the VCGLR as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Assets held under other leases were classified as operating leases and are not recognised in the VCGLRs balance sheet. Operating lease payments are recognised as an operating expense in the comprehensive operating statement on a straight-line basis over the lease term.

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

### Maturity analysis of leases

	Carrying amount	Nominal amount	Maturity dates			
			Less than 1 month	1-3 months	3 month-1 year	1-5 years
	\$	\$	\$	\$	\$	\$
<b>2020</b>						
Lease liabilities	461,951	483,566	8,693	17,386	103,183	354,303
<b>Total</b>	<b>461,951</b>	<b>483,566</b>	<b>8,693</b>	<b>17,386</b>	<b>103,183</b>	<b>354,303</b>
<b>2019</b>						
Finance leases	382,683	397,726	80,206	54,504	49,535	213,481
<b>Total</b>	<b>382,683</b>	<b>397,726</b>	<b>80,206</b>	<b>54,504</b>	<b>49,535</b>	<b>213,481</b>

Notes:

<sup>(i)</sup> The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

<sup>(ii)</sup> 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.

	2020 \$	2019 \$
Cash and cash equivalents	816,805	777,478
<b>Balance as per cash flow statement</b>	<b>816,805</b>	<b>777,478</b>

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 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 cheques drawn for the payments to its suppliers' or creditors are made via the public account. The process is such that the public account would remit 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

	2020 \$	2019 \$
<b>Net result for the period</b>	<b>(102,992)</b>	<b>(466,148)</b>
<b>Non-cash movements:</b>		
Depreciation and amortisation of non-current assets	3,191,277	2,444,851
(Gain)/loss on sale or disposal of non-current assets	8,494	(178)
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	(3,468,825)	(894,245)
(Increase)/decrease in other non-financial assets	(246,013)	42,462
Increase/(decrease) in payables	1,937,750	(416,474)
Increase/(decrease) in provisions	500,660	746,606
<b>Net cash flows from/(used in) operating activities</b>	<b>1,820,353</b>	<b>1,456,876</b>

### 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 \$0.297m (2019: \$0.267m) and recognised property lease totalling \$2.5m as a right-of-use asset on initial application of AASB 16. On 1 November 2019, the property lease and associated liabilities were transferred to the DTF as part of the CAM strategy.

## 7.3 COMMITMENTS FOR EXPENDITURE

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

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

### 7.3.1 Total commitments payable

	Operating Commitments		Capital		Total	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
<b>Operating and capital commitments</b>						
Payable <sup>(i)</sup>						
Less than one year	5,528,790	4,375,623	108,904	0	5,637,694	4,375,623
Longer than one year and not longer than five years	1,848,809	1,036,591	0	0	1,848,809	1,036,591
Five years or more	0	0	0	0	0	0
<b>Total operating and capital commitments</b>	<b>7,377,599</b>	<b>5,412,214</b>	<b>108,904</b>	<b>0</b>	<b>7,486,503</b>	<b>5,412,214</b>

Note:

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

<sup>(i)</sup> Operating and capital commitments relate to 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 lease is lower than the \$10k lease threshold therefore categories as a operating lease.

The VCGLR has entered in 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.

The 2019 comparatives included accommodation lease that has been included as a right-to-use asset on 1 July 2019 and subsequently transferred to the DTF in November 2019.

# 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 under AASB 9

#### 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 result:

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

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

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

### Categories of financial 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 initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

The VCGLR recognises the following liabilities in this category:

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

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

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

### 8.1.1 Financial instruments: Categorisation

	Cash and cash equivalents	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$		\$	\$
<b>2020</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	816,804	0	0	816,804
Receivables <sup>(i)</sup>	0	14,655	0	14,655
<b>Total contractual financial assets</b>	<b>816,804</b>	<b>14,655</b>	<b>0</b>	<b>831,459</b>
<b>Contractual financial liabilities</b>				
Payables <sup>(i)</sup>	0	0	3,773,552	3,773,552
<b>Borrowings</b>				
Lease liabilities	0	0	461,951	461,951
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>0</b>	<b>4,235,503</b>	<b>4,235,503</b>
<b>2019</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	777,479	0	0	777,479
Receivables <sup>(i)</sup>	0	30,429	0	30,429
<b>Total contractual financial assets</b>	<b>777,479</b>	<b>30,429</b>	<b>0</b>	<b>807,908</b>
<b>Contractual financial liabilities</b>				
Payables <sup>(i)</sup>	0	0	1,835,803	1,835,803
<b>Borrowings</b>				
Finance lease liabilities	0	0	382,683	382,683
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>0</b>	<b>2,218,485</b>	<b>2,218,485</b>

Note:

<sup>(i)</sup> The total amount disclosed here excludes statutory amounts (e.g. amounts owing from 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
	\$	\$	\$	\$
<b>2020</b>				
<b>Contractual financial liabilities</b>				
Financial liabilities at amortised cost	0	26,646	0	26,646
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>26,646</b>	<b>0</b>	<b>26,646</b>
<b>2019</b>				
<b>Contractual financial liabilities</b>				
Financial liabilities at amortised cost	0	11,444	0	11,444
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>11,444</b>	<b>0</b>	<b>11,444</b>

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

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

## 8.1.3 Financial risk management objectives and policies

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

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

### Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. Credit risk arises from the financial assets of the VCGLR, which comprise cash and deposit and receivables. The VCGLR's exposure to credit risk arises from the potential default of a counterparty on their contractual obligations resulting in a financial loss to the VCGLR. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the VCGLR's financial assets is minimal because the VCGLR only deals with financial institutions with higher credit ratings.

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

There has been no material change to the VCGLR's credit risk profile in 2019–20.

## Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institutions (AA- credit rating)	Government agencies (Triple A credit rating)	Other	Total
	\$	\$	\$	\$
<b>2020</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	816,804	0	0	816,804
Receivables <sup>(i)</sup>	0	0	14,655	14,655
<b>Total contractual financial assets</b>	<b>816,804</b>	<b>0</b>	<b>14,655</b>	<b>831,459</b>
<b>2019</b>				
<b>Contractual financial assets</b>				
Cash and cash equivalents	777,479	0	0	777,479
Receivables <sup>(i)</sup>	0	0	30,429	30,429
<b>Total contractual financial assets</b>	<b>777,479</b>	<b>0</b>	<b>30,429</b>	<b>807,908</b>

Note:

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

### Impairment of financial assets under AASB 9

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 include the 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 2019–20, 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
	%	\$	\$	\$	\$
<b>2020</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.06	816,804	0	816,804	0
Receivables <sup>(i)</sup>	N/A	14,655	0	0	14,655
<b>Total financial assets</b>		<b>831,459</b>	<b>0</b>	<b>816,804</b>	<b>14,655</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	N/A	3,773,552	0	0	3,773,552
<b>Borrowings</b>					
Lease liabilities	3.3	461,951	461,951	0	0
<b>Total financial liabilities</b>		<b>4,235,503</b>	<b>461,951</b>	<b>0</b>	<b>3,773,552</b>
<b>2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1.6	777,479	0	777,479	0
Receivables <sup>(i)</sup>	N/A	30,429	0	0	30,429
<b>Total financial assets</b>		<b>807,908</b>	<b>0</b>	<b>777,479</b>	<b>30,429</b>
<b>Financial liabilities</b>					
Payables <sup>(i)</sup>	N/A	1,835,803	0	0	1,835,803
<b>Borrowings</b>					
Finance lease liabilities	3.3	382,682	382,682	0	0
<b>Total financial liabilities</b>		<b>2,218,485</b>	<b>382,682</b>	<b>0</b>	<b>1,835,803</b>

Note:

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

## 8.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

Contingent liabilities are:

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

	2020	2019
	\$	\$
<b>Contingent liabilities</b>		
Make good <sup>(i)</sup>	418,216	405,760
Claims and compensation for termination of agreement	0	78,054
<b>Total contingent liabilities</b>	<b>418,216</b>	<b>483,814</b>

Note:

<sup>(i)</sup> The VCGLR's office accommodation lease term of 10 years expires on 31 August 2020. Under the CAM strategy, the lease has been transferred to the DTF. The DTF has extended this arrangement as an interim lease until November 2021. Under the current terms of this arrangement, the VCGLR would have been liable to make good the premises if it had vacated the property as at 30 June 2020.

<sup>(ii)</sup> The VCGLR had no contingent assets for the years covered by this report

## 8.3 FAIR VALUE DETERMINATION

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

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

### Fair value hierarchy

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

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

**Level 2** – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

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

### How this section is structured

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

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

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

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

The fair values 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 2019–20 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. Refer to Note 5 for a reconciliation of movements in the carrying value of Property, Plant and Equipment.

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

2020 and 2019	Valuation technique	Significant unobservable inputs
Building Leasehold Improvements-office fit out	Depreciated replacement cost	Direct cost per square metre (Office fit-out was transferred from DJCS in February 2013) Term of the lease
Computer and communication equipment	Depreciated replacement cost	Cost per unit Useful life of computer and communication equipment
Plant, equipment & vehicles	Depreciated replacement cost	Cost per unit <ul style="list-style-type: none"> <li>• office furniture &amp; equipment</li> <li>• security equipment</li> <li>• vehicles</li> </ul> Useful life <ul style="list-style-type: none"> <li>• office furniture &amp; equipment</li> <li>• security equipment</li> <li>• vehicles</li> </ul>

The significant unobservable inputs have remained unchanged from 2019. There were no changes in valuation techniques throughout the period to 30 June 2020. There were no transfers in or out of level 3 during the year ended 30 June 2020 (2019: nil)

## 9 OTHER DISCLOSURES

### Introduction

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

### 9.1 EX-GRATIA EXPENSES

As at 30 June 2020, the VCGLR had not made any ex-gratia payments (2019: 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. Marlene Kairouz, MP 1 July 2019 to 16 June 2020

The Hon. Melissa Horne, MP 22 June 2020 to 30 June 2020

#### Responsible Minister – Acting Minister for Consumer Affairs, Gaming and Liquor Regulation

The Hon. Jill Hennessy, MP 29 September 2019 to 9 October 2019

#### Commission Members:

Mr Ross Kennedy, PSM (Chairperson) 1 July 2019 to 30 June 2020

Ms Helen Versey (Deputy Chairperson) 1 July 2019 to 30 June 2020

Ms Deirdre O'Donnell (Deputy Chairperson) 1 July 2019 to 30 June 2020

Dr Dina McMillan (Commissioner) 1 July 2019 to 2 November 2019

Ms Danielle Huntersmith 3 December 2019 to 30 June 2020

Mr Andrew Scott 3 December 2019 to 30 June 2020

#### Accountable Officer – Chief Executive Officer

Ms Catherine Myers (Chief Executive Officer) 1 July 2019 to 30 June 2020

Mr Michael Everett (Acting Chief Executive Officer) 13 December 2019 to 29 December 2019

Ms Alexandra Fitzpatrick (Acting Chief Executive Officer) 30 December 2019 to 19 January 2020

Mr Scott May (Acting Chief Executive Officer) 6 April 2020 to 13 April 2020

## 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	2020 \$	2019 \$
\$40,000 - \$49,999	1	0
\$80,000 - \$89,999	2	0
\$120,000 - \$129,999	0	1
\$140,000 - \$149,999	2	2
\$180,000 - \$189,999	1	1
\$280,000 - \$289,999	0	1
\$290,000 - \$299,999	1	1
<b>Total numbers <sup>(i)</sup></b>	<b>7</b>	<b>6</b>
<b>Total amount <sup>(i)</sup></b>	<b>964,911</b>	<b>885,681</b>

Note:

<sup>(i)</sup> The number and amount received or receivable by the Responsible persons and Accountable Officer are based on FRD 21C.

<sup>(ii)</sup> The total number of responsible persons includes persons who meet the definition of Key Management Personnel of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.5).

<sup>(iii)</sup> 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	
	2020 \$	2019 \$
Short-term employee benefits	800,489	931,073
Post-employment benefits	73,842	92,618
Other long-term benefits	19,527	22,967
Termination benefits	0	98,484
<b>Total remuneration</b>	<b>893,858</b>	<b>1,145,142</b>
<b>Total number of executives <sup>(i)</sup></b>	<b>4.00</b>	<b>7.00</b>
<b>Total annualised employee equivalents (AEE) <sup>(ii)</sup></b>	<b>4.00</b>	<b>4.97</b>

Notes:

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

<sup>(ii)</sup> 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 \$38.4m (2019: \$43.3m) and made payments to the Consolidated Fund of \$1,551.2m (2019: \$1,892.4m). The payments to the Consolidated Fund relates to the collection of gambling and liquor taxation and licence fees.

**Key management personnel** of the VCGLR includes the Portfolio Ministers, the Hon. Marlene Kairouz MP (1 July 2019 to 16 June 2020) and The Hon. Melissa Horne, MP (22 June 2020 to 30 June 2020), the VCGLR Chairperson and Commissioners, Chief Executive Officer and Director Corporate Services and Chief Finance Officer.

Key Management Personnel	Position title
Mr Ross Kennedy, PSM	Chairperson
Ms Helen Versey	Deputy Chairperson
Ms Deirdre O'Donnell	Deputy Chairperson
Ms Danielle Huntersmith	Commissioner
Mr Andrew Scott	Commissioner
Dr Dina McMillan	Commissioner
Ms Catherine Myers	Chief Executive Officer
Mr Michael Everett	Director Corporate Services and Chief Finance Officer

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives.

The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Department of Parliamentary Services' Financial Report.

Compensation of Key Management Personnel	2020	2019
	\$	\$
Short-term employee benefits	1,101,184	1,020,300
Post-employment benefits	97,961	90,601
Other long-term benefits	11,874	11,874
<b>Total <sup>(i)</sup></b>	<b>1,211,019</b>	<b>1,122,775</b>

Note:

<sup>(i)</sup> 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

	2020 \$	2019 \$
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	142,000	142,000
<b>Total remuneration of auditors</b>	<b>142,000</b>	<b>142,000</b>

## 9.7 CHANGE IN ACCOUNTING POLICIES

### Leases

This note explains the impact of the adoption of AASB 16 *Leases* on the VCGLR's financial statements.

The VCGLR has applied AASB 16 with a date of initial application of 1 July 2019. The VCGLR has elected to apply AASB 16 using the modified retrospective approach, as per the transitional

provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the VCGLR determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 *Determining whether an arrangement contains a Lease*. Under AASB 16, the VCGLR assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 7.1.

On transition to AASB 16, the VCGLR has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

### Leases classified as operating leases under AASB 117

As a lessee, the VCGLR previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the VCGLR. Under AASB 16, the VCGLR recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low-value leases.

On adoption of AASB 16, the VCGLR recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the VCGLR's incremental borrowing rate as of 1 July 2019.

On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The VCGLR has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- applied a single discount rate to a portfolio of leases with similar characteristics
- adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 is determined as the carrying amount of the leased asset and lease liability under AASB 117 immediately before that date.

The right-of-use assets and associated liabilities for VCGLR's current property leases were transferred to DTF under the CAM strategy on 1 November 2019. Subsequently, the VCGLR has entered into a two-year accommodation services agreement with the DTF. The management has assessed this agreement based on lease key evaluation criteria and has made a significant judgement that the agreement does not constitute a lease. The agreement is therefore treated as an operating expenditure.

### Impacts on financial statements

For the period ending 30 June 2019, the VCGLR had a total of \$2.839m in operating lease commitments and \$0.382m in finance leases for motor vehicles.

On transition to AASB 16, the VCGLR recognised \$2.5m in right-of-use assets and equivalent lease liabilities against the operating leases. As part of the implementation of the government's CAM strategy, on 1 November 2019, the VCGLR transferred \$1.795m (NBV) for right-of-use assets and \$1.807m of lease liability with the difference recognised in retained earnings.

Low-value leases under are exempt from recognition on Balance Sheet, therefore, recognised as an operating expenditure. Refer to Note 3.3 for details.

### Revenue from Contracts with Customers

In accordance with FRD 121 requirements, the VCGLR has applied the transitional provisions of AASB 15, retrospectively with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the VCGLR applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application.

Comparative information has not been restated.

The adoption of AASB 15 did not have an impact on the comprehensive operating statement and the cash flow statement for the financial year. Note 4.1 Administered items include details about the transitional application of AASB 15, impact, and how the standard has been applied to the gambling licences.

### Income of Not-for-Profit Entities

In accordance with FRD 122 requirements, the VCGLR has applied the transitional provision of AASB 1058, retrospectively with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the VCGLR applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated.

The adoption of AASB 1058 did not have an impact on the comprehensive operating statement and the cash flows statement for the financial year.

## 9.8 SUBSEQUENT EVENTS

The financial statements for the VCGLR are prepared for the period ended 30 June 2020. As at the date of signing, there are no events subsequent to the balance date which would have a significant impact on the financial position of the VCGLR.

## 9.9 OTHER ACCOUNTING POLICIES

### Contributions by owners

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

## 9.10 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new and revised accounting standards have been issued but are not effective for the 2019–20 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 liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer the application to 1 January 2023.	The standard is not expected to have a significant impact on the public sector.

## 9.11 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 nonemployee 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.

## Non-financial assets

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

## Non-produced assets

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

## Other economic flows included in net result

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

## Payables

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

## Produced assets

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

## Receivables

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

## Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment but excludes rent income from the use of 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 2019–20 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.





