



Victorian Commission for
Gambling and Liquor Regulation



Annual Report 2016–17

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The publication of the VCGLR Annual Report 2016–17 complies with requirements under the Financial Reporting Direction 30B regarding its design, use of colour and images, standard sizing, paper stocks and other publishing requirements.

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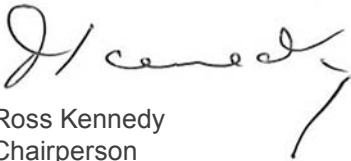
Letter to the Minister

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

Dear Minister

I am pleased to submit the Victorian Commission for Gambling and Liquor Regulation Annual Report for the year ended 30 June 2017 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', with a long horizontal stroke extending to the right and a vertical stroke at the end.

Ross Kennedy
Chairperson

Message from the Chairperson and Chief Executive Officer



We are pleased to introduce the Victorian Commission for Gambling and Liquor Regulation (VCGLR) Annual Report for the 2016–17 financial year.

Once again, the VCGLR had a busy year and made progress in our efforts to build a stronger, more effective organisation. The key focus of the VCGLR over the last 12 months has been developing and improving our risk-based and targeted approach to regulation, supported by improvements to our technology.

Continuous improvement

We have focused on delivering effective risk-based regulation by targeting inspections at those times and in those areas of greatest risk of harm. This approach, coupled with improved access to relevant data and information so we can better assess risk, has led to more high-risk harms being identified more often. Detecting and appropriately regulating high-risk harms and associated breaches is a complex and resource intensive process and we will continue to work on ensuring our resources are best allocated to achieve this.

New rostering and training arrangements have been put in place for our compliance inspectors. The learning

and development program commenced in October 2016, providing inspectors with improved training opportunities and ensuring consistent standards across the division. The new roster provides greater flexibility for inspectors to respond to operational requirements and visit venues at times of greatest risk of harm. Like any change, this has not come without challenges and the successful implementation of both these initiatives would not have been possible without the hard work of many across the organisation.

We conducted a review of our Commission inquiries processes to improve how we conduct hearings as well as improve stakeholders understanding of the relevant roles, responsibilities and procedures. As part of this project, we have drafted practice notes for consultation and feedback that will help clarify inquiry practices and procedures for all those involved.

The Victorian Auditor-General's report into Regulating Gambling and Liquor was tabled in February 2017. The report highlighted the need for significant improvement across the organisation while also acknowledging the work already underway to improve our operations. These findings, which were consistent with the results of our own previously conducted internal reviews, have helped us to continue to drive reform.

Open channels of communication are essential to our operations as an effective regulator. This year we have focused on finding ways to more effectively reach licensees and other stakeholders. As part of this we developed a new education strategy which we are using to provide targeted information more effectively. The strategy commenced in May 2017 with a focus on new liquor licensees. We have also built on the use of digital channels with the launch of our new website this year, which provides visitors with a modern, easy to use interface.

Better technology

During the last 12 months we have made a number of technology developments making the VCGLR easier to do business with. Through continuing to move forms online and implement new initiatives, such as making liquor licences available electronically, we are delivering a more efficient and modern service.

We also implemented the Liquor and Gambling Information System (LaGIS) to better capture the information we have about licensed venues, inspections and associated compliance activities. While this project experienced delays, its successful delivery was an achievement from both our information technology and compliance areas that will support ongoing improvements to the quality of our data.

People

We remain committed to developing our staff. This year the VCGLR introduced a number of initiatives to build capability among our workforce. Mandatory e-learning modules were delivered in early 2017 to ensure our people have the training they need to do their job safely and effectively. In addition, we are delivering a new learning and development program for compliance inspectors and offered family violence awareness training for all staff including compulsory training for senior managers.

Looking ahead

Over the next year our work will be guided by the VCGLR's Corporate Plan 2017–20. The Corporate Plan, launched in July 2017, focuses our future activity on three priorities; modernising our regulatory practice, increasing strategic influence to improve outcomes, and, operating in a collaborative and unified environment.

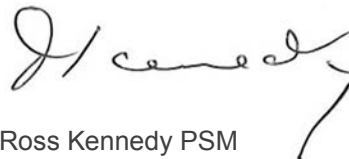
We will work on establishing a regional presence. This follows the funding announced in the 2017 Victorian State Budget to establish VCGLR staff in regional Victoria. Having staff based in regional areas means we will more effectively reach liquor and gambling venues in rural locations and be better placed to minimise harm across the entire state.

Next year we will also deliver the Review of the Casino Operator and Licence. This review, which is a legislative requirement, will see us report on the casino operator's suitability and deliver our findings to the Minister for Consumer Affairs, Gaming and Liquor Regulation by June 2018.

Thank you

Throughout 2016–17 the VCGLR has had the benefit of senior and experienced leadership. We take this opportunity to recognise the contribution of the VCGLR's former Chair, Dr Bruce Cohen who departed in April 2017. During his time as Chair, Dr Cohen guided the organisation through a period of significant change and achieved successful reform in a range of areas. This year we also welcomed a new Commissioner with the appointment of Dr Dina McMillan.

Finally, we would like to thank the VCGLR staff for their continued dedication and hard work throughout 2016–17.



Ross Kennedy PSM
Chairperson



Catherine Myers
Chief Executive Officer

Section One

Overview of the VCGLR

Vision and purpose

**Our vision is that Victorians and visitors enjoy safe and responsible gambling and liquor environments.
Our purpose is to regulate Victoria's gambling and liquor industries to ensure their integrity and to minimise harm.**

Values

The *Public Administration Act 2004* establishes values to guide conduct and performance in the Victorian Public Sector and the VCGLR is committed to these values. Values guide the organisation to achieve its vision and purpose. They underpin the regulator's interactions internally and with its stakeholders.

Work together

The VCGLR values working together, encouraging and supporting each other. Keeping people informed. We consult to achieve shared goals. Emphasis is on developing and maintaining positive working relationships as well as acknowledging and celebrating success and collaborating

Respect other people

We treat all people with respect. We seek different perspectives and approaches and value work/life balance. The VCGLR fosters an environment where people give and receive feedback constructively and consideration for others' ideas and contributions.

Act with integrity

Integrity is about accepting accountability for actions. Acting with honesty, fairness and reliability. Approaching work with enthusiasm and commitment. Applying sound judgement and common sense. Embracing personal and professional development.

Make it happen

This is about thinking and planning ahead. Focusing on agreed priorities. Delivering on commitments. Meeting agreed time-lines. Being responsive and flexible, and, striving for excellence.

The Victorian Commission for Gambling and Liquor Regulation

The VCGLR is the independent statutory authority that regulates Victoria’s gambling and liquor industries. It is responsible for gambling and liquor licensing and for ensuring compliance with legislation and regulations. This includes informing and educating industry participants and the Victorian public about regulatory practices and requirements.

The VCGLR oversees approximately 22,000 liquor licences, more than 620 Keno outlets and almost 740 wagering and betting agents—while also managing the state wide cap of up to 30,000 electronic gaming machines across approximately 470 individual gaming venues and the public lottery licence.

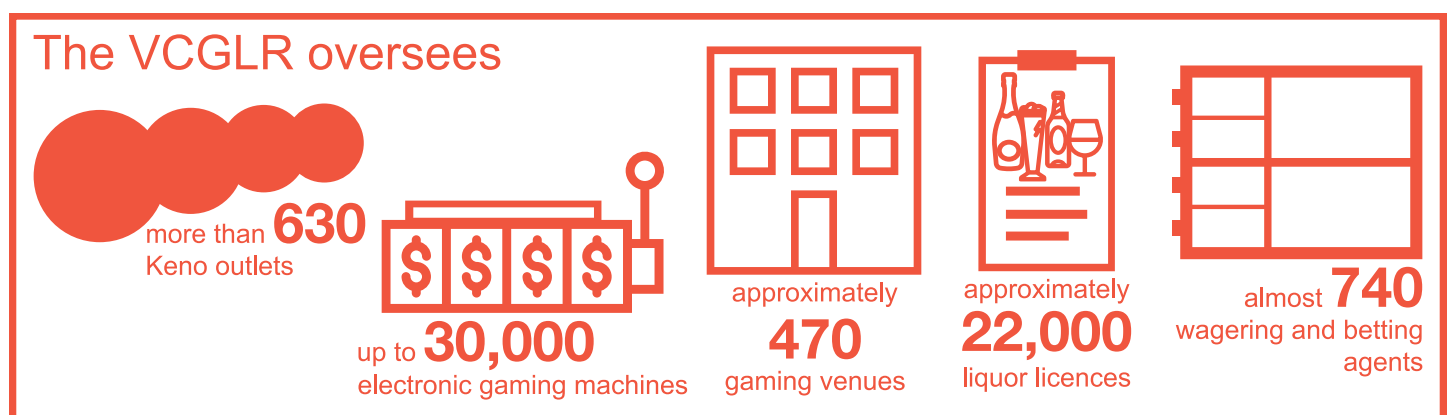
It also assesses and determines more than 6000 gambling activities annually, such as gaming industry employee, casino special employee, bookmakers and venue operator licences and community and charitable gaming applications.

As an independent statutory authority, the VCGLR’s obligations are set out in several Acts of Parliament. The VCGLR regulates:

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

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

The Chairperson convenes and presides at Commission meetings and contributes to decision-making. This position has a casting vote on matters where there are equal votes, as well as a deliberative vote. The Chairperson is also the public service body head for the purposes of the Public Administration Act 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 relating to people and culture, audit and risk management, and legislation, regulation and policy.



Commissioners



Ross Kennedy PSM, Chairperson

Mr Kennedy has an extensive background at senior levels in service to the Victorian Government. 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 performed for over 10 years. During his time in that position, Mr Kennedy led significant change in the regulation of Victoria's gambling and liquor industries. Between 1994 and 2003, Mr Kennedy was the Executive Director of Sport and Recreation Victoria, during which time he was awarded an Australian Public Service Medal for outstanding service, most notably in the development of Victoria's sport and recreation infrastructure. Mr Kennedy was appointed Chairperson in April 2017 and prior to this served as Deputy Chairperson of the VCGLR.

Helen Versey, Deputy Chairperson

Ms Versey has significant experience at senior executive and CEO levels in the public service sector. She holds a combined honours degree in law and sociology from Exeter University (United Kingdom). Ms Versey worked in private practice as a litigation lawyer and advocate prior to joining the Western Australia Equal Opportunity Commission. She was a member of the Commission's Corporate Executive and acted as Commissioner in the Commissioner's absence. Ms Versey served as the Victorian Privacy Commissioner from 2006 to 2012.



Deirdre O'Donnell PSM, Deputy Chairperson

Ms O'Donnell has extensive experience in executive roles in the public and not-for-profit sectors. She has qualifications in arts and education, with a Master of Business Administration and a Masters of Commercial Law from the University of Melbourne. Ms O'Donnell was State Ombudsman in Western Australia, Ombudsman for the Telecommunications Industry and the inaugural New South Wales Information Commissioner. In 2008, Ms O'Donnell was awarded the Public Service Medal for outstanding public service as the State Ombudsman for Western Australia. The award recognised her work as a member of the State Records Commission and as the first Electricity Ombudsman for Western Australia.



Des Powell AM, Commissioner

Mr Powell is an experienced senior executive and director within the private and public sectors. Currently he is Chair of Federation Training, Director of Victorian Regional Channels Authority and a Director of Grampians Wimmera Mallee Water. His previous positions include Director and Deputy Chair of the Port of Melbourne Corporation, Chair of the Alpine Resorts Coordinating Council, Commissioner of the State Services Authority, and, Deputy Chair of the National Transport Commission.

Dr Dina McMillan, Commissioner

Dr McMillan is a recognised social psychologist (PhD Stanford) and author with an extensive background in research and community service. For over twenty years, Dr McMillan has worked with organisations and community groups in domestic violence awareness, prevention and policy. Moving from the USA to Australia in 2004, she established her own consulting firm specialising in domestic violence prevention projects and launched an internationally recognised program to prevent domestic abuse and violence. Dr McMillan was appointed Commissioner in November 2016.



Outgoing Commissioner

Dr Bruce Cohen, Chairperson

Dr Cohen served as Chairperson of the Commission from May 2015. He was also a director on the boards of VENCORP, Snowy Hydro Ltd and Melbourne Water, and was previously Chair at VicTrack. Dr Cohen served as a Commissioner with the Victorian Competition and Efficiency Commission for its inquiry into reform of Melbourne's retail water sector and served on the board of City West Water. Dr Cohen resigned as Chairperson in April 2017.

Organisation



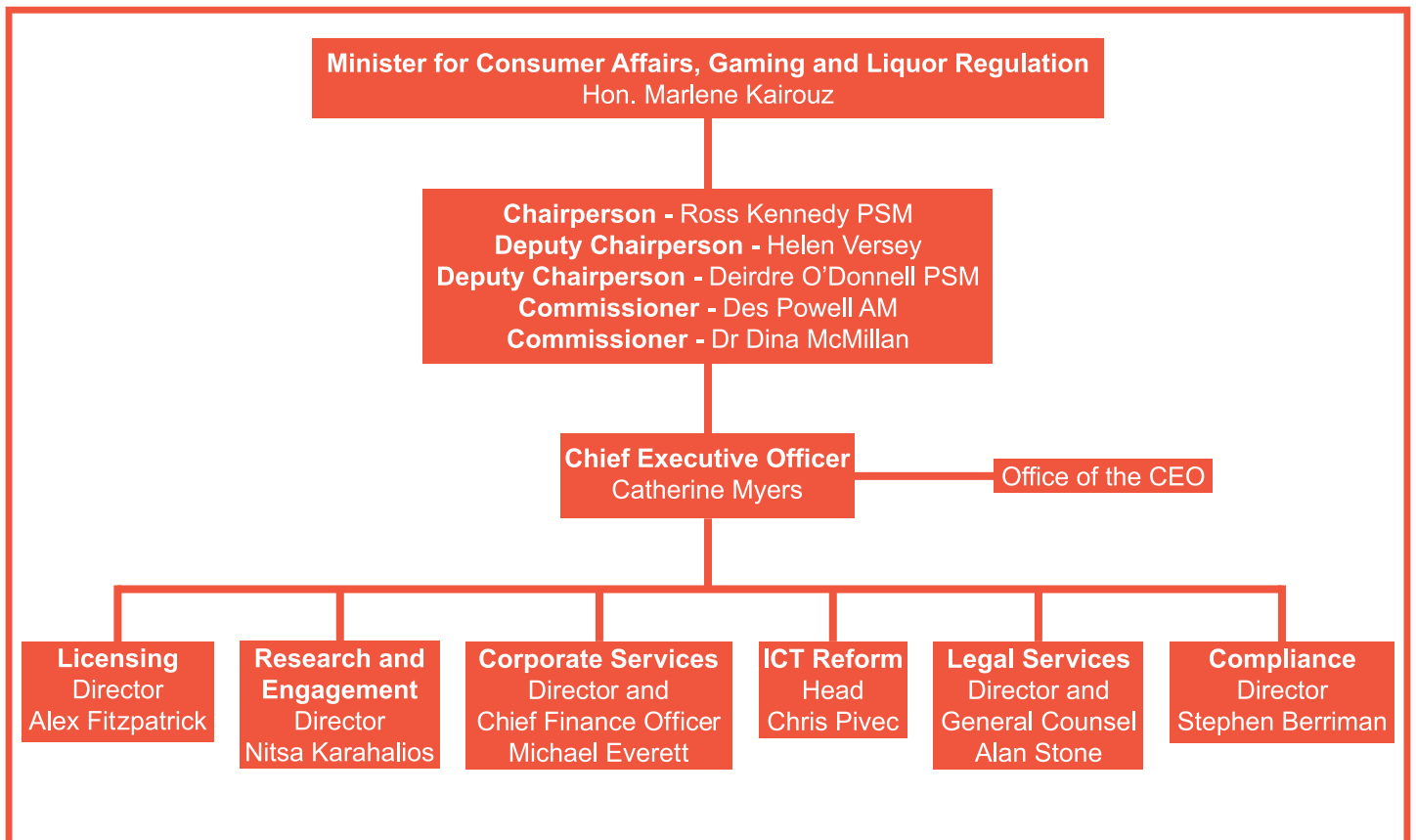
Catherine Myers, Chief Executive Officer

Ms Myers was appointed CEO in July 2015. She has an extensive background in communication, education, strategic planning and client services within both the public and private sectors. She holds a Bachelor of Education and a Master of Business Administration from La Trobe University.

Ms Myers has been a part of the VCGLR since its establishment in 2012. Prior to assuming the role of CEO, Ms Myers served as Director of Strategy and Planning where she managed the VCGLR's client services, oversaw strategic planning, audit and risk management processes, ICT, communications, policy and data and analytical functions.

Organisation structure

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



Office of the CEO

The Office of the CEO is an administrative office that is responsible for key strategic relationships with the VCGLR's portfolio department, the Department of Justice and Regulation, other government agencies, industry and community stakeholders. It facilitates the provision of information and advice to the Minister and the department and manages strategic issues as they arise.

It is also responsible for ensuring governance processes are in place for risk and compliance monitoring in accordance with the VCGLR's risk management framework. Further, the Office of the CEO is responsible for strategic and business planning and monitoring organisational performance.

Compliance

The Compliance Division is responsible for monitoring and compliance activities relating to Victoria's gambling and liquor legislation. This is achieved through a risk-based and intelligence led approach.

Inspectors visit licensed premises across the state to ensure licensees are aware of, and comply with, their relevant legislative obligations. They also perform system audits of major licensees to check that approved procedures and controls are in place.

The Compliance Division works collaboratively across the organisation and with external partners to achieve positive outcomes. Partners include Victoria Police, VicRoads, the Environmental Protection Agency (EPA), Metropolitan Fire Brigade (MFB), Australian Criminal Intelligence Commission (ACIC), Australian Federal Police (AFP), Australian Transaction Reports and Analysis Centre (AUSTRAC), local municipal authorities and other co-regulators. This partnership approach supports a culture of integrity and harm minimisation in the gambling and liquor industries.

Licensing

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

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

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

The division is responsible for the management and oversight of major licences. This work is undertaken through the development of strong relationships with major licensees and key industry stakeholders, monitoring the performance and compliance with licences and identifying and managing risks to achieve positive regulatory outcomes.

Research and Engagement

The Research and Engagement Division includes regulatory strategy, internal and external communication, client services and education functions. It drives improvement to regulatory practice through collaboration with government, regulators and researchers. The division leads assessment and evaluation of the organisation's activities to improve operations and to better inform policy work.

The division is responsible for communication activities across the VCGLR, managing external communication with licensees, media

and the community as well as driving development of the digital strategy and internal communication with staff. The education function of the VCGLR develops and manages industry training programs and provides advice on how to reach, engage and train stakeholders. It also manages the VCGLR's involvement in liquor forums, accords and industry and community related events.

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

Corporate Services

The Corporate Services Division provides finance and support services including all accounting and reporting functions, building and facilities management, procurement, document management and office administration. It is responsible for ensuring accurate, transparent, timely management of and reporting on, the financial performance and associated transactions of the VCGLR. In addition, it is responsible for the collection of licence and taxation revenue with a total administered revenue of in excess of \$1.8 billion.

The division incorporates the organisation's people and culture functions including provision of strategic advice in relation to staff development and change management, related governance requirements, industrial and employee relations, payroll, workforce planning, capability development, organisational culture, leadership growth and occupational health and safety. Corporate Services supports the Commission's People and Culture Committee in advising and assisting the Chairperson in relation to his role as the public sector body head and ensuring that policies and procedures are developed and implemented meeting legislative and regulatory requirements and organisational needs.

ICT Reform

The ICT Reform Division continues to be an agent of change in delivering sustainable technology enhancements for the VCGLR and its stakeholders. The division supports the VCGLR's business systems, information technology and communications infrastructure, and protects critical technology from a range of external threats and disasters.

Along with providing day-to-day support to the business through the service desk, the division delivers improvements to the organisation by transforming services and providing technological solutions. This includes the modernisation and consolidation of applications, improvements in online and mobile services, innovation in infrastructure and cloud technology and improving business intelligence and data quality.

Counsel is also the Commission's nominated anti-corruption officer. This position also works closely with the Audit and Risk Management Committee to ensure it receives accurate information and that its governance recommendations are effectively implemented.

The division also supports the Commission's Legislation, Regulation and Policy Committee by providing quality advice and support regarding legislation, regulation and policy matters, to assist the Commission to effectively fulfil its regulatory obligations and improve the way the Commission regulates, in accordance with its legislative framework and strategic priorities.

Legal Services

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

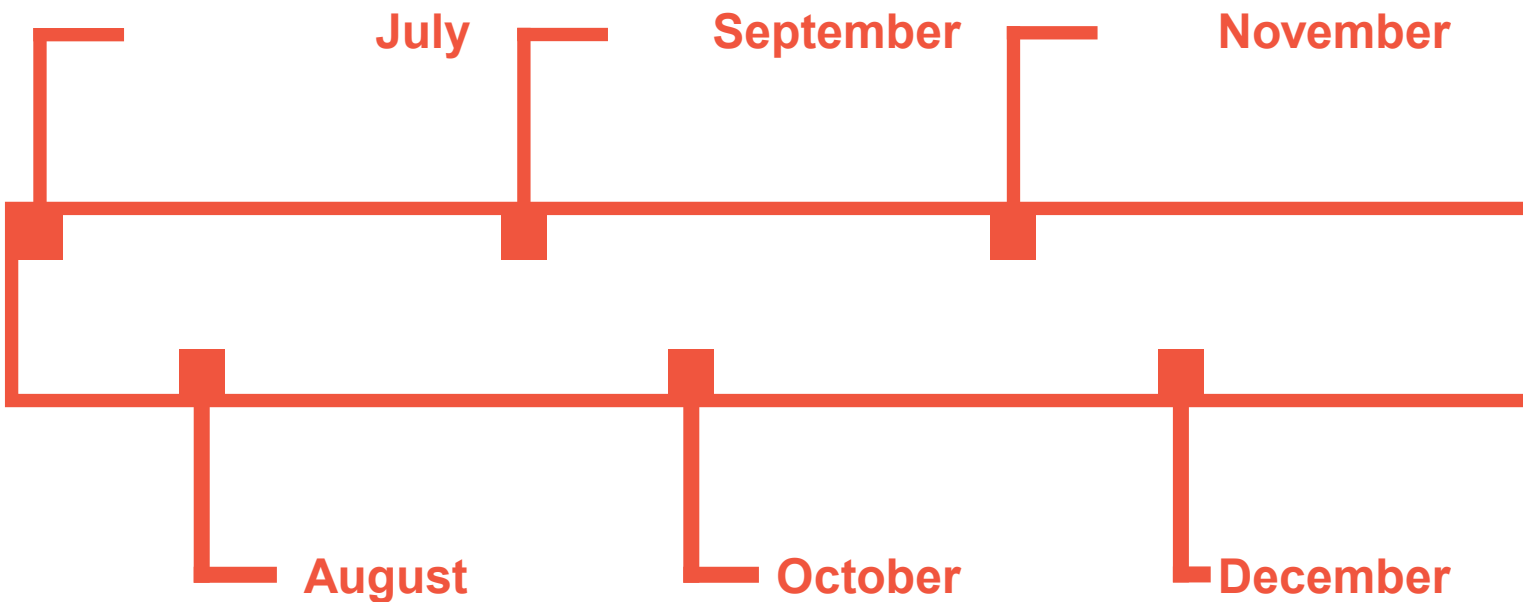
In a strategic role, the division manages the Commission's governance obligations. It has responsibility to ensure compliance with legislative requirements governing such areas as freedom of information, privacy, protected disclosures and provisions of the Public Administration Act. As part of this governance responsibility, the Director, Legal Services and General

Section 2

Year in review

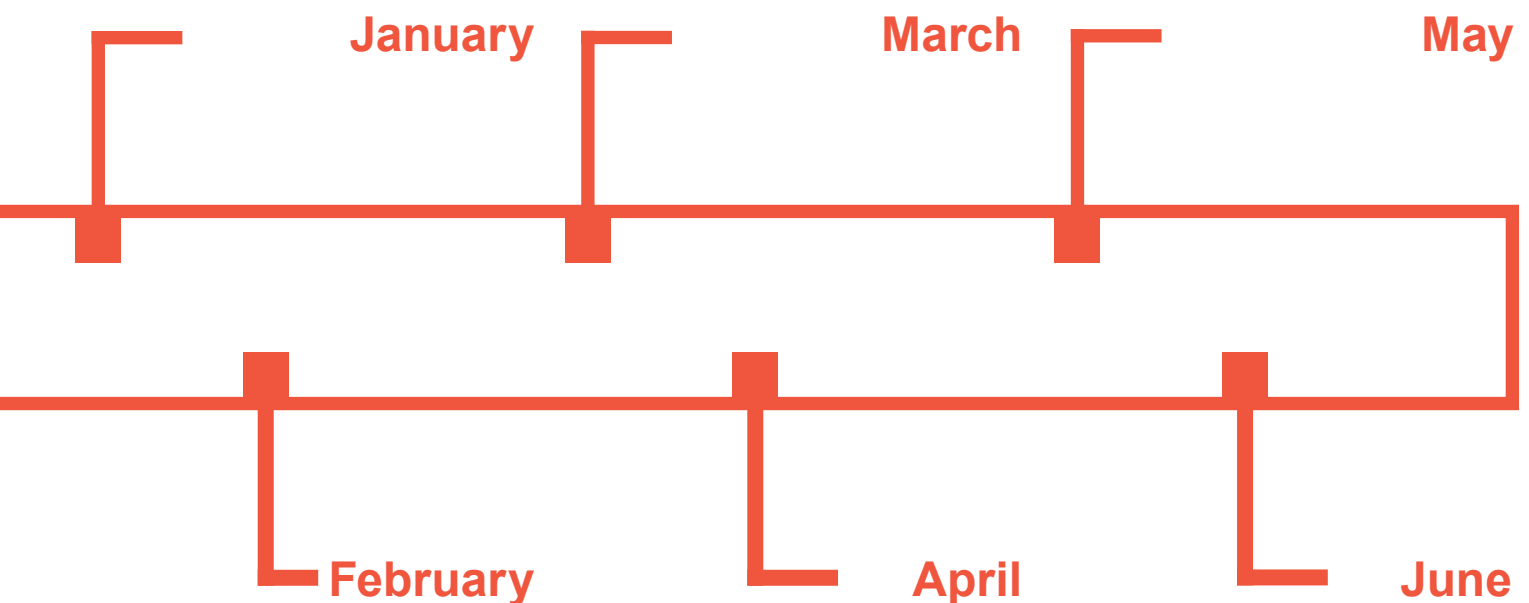
2016

- Enhancements made to the VCGLR's Geographic Information System
- ServiceNow, a centralised service platform to manage internal service requests, is implemented
- More high volume application forms move online
- Dr Dina McMillan appointed Commissioner
- Introduction of the new e-licence system



- VCAT upholds the VCGLR decision to refuse electronic gaming machine increase in Sale
- Inspector Training Program for all inspectors begins
- Review of standard licence conditions for offsite catering licences completed
- Liquor and Gambling Information System (LaGIS) is implemented
- Launch of the Applications Online Self-Service Portal for Liquor Licensees

- VCGLR and VicRoads sign an Information Protection Agreement providing for the exchange of information
- RSA Refresher website upgraded to include the 'Find my certificate' search function
- All historical reasons for decision uploaded to AustLII
- Compliance tool developed to better identify high-risks
- Victorian State Budget commits \$11.3 million for the VCGLR to establish a regional presence



- New VCGLR website launched
- Victorian Auditor-General report into *Regulating Gambling and Liquor* tabled
- Memorandum of Understanding (MoU) for data sharing with the Emergency Services Telecommunications Authority (ESTA) established
- New e-learn modules launched for staff
- Dr Bruce Cohen resigns as Chairperson
- Ross Kennedy appointed Chairperson and Deirdre O'Donnell as Deputy Chairperson
- New roster arrangements for Compliance Division established
- Commission provides the Minister with the findings of Investigation of the Applicants for the Public Lottery Licence
- E-notification implemented providing automatic notification to local councils of temporary liquor licences in their area
- Two new online applications launched

2017

Goals

The VCGLR's goals as outlined in the VCGLR's 2015–18 Strategic Plan were:

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

To achieve these goals over the past 12 months we have undertaken a range of activities.

2016–17 Snapshot

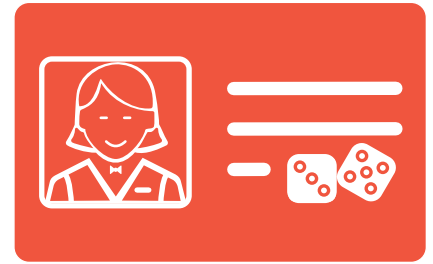
Did you know that during the 2016–17 financial year the VCGLR



oversaw
21,986
active permanent
liquor licences



conducted
1,999
inspections in regional Victoria



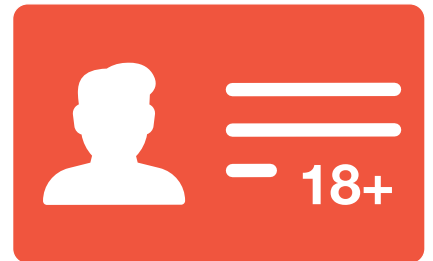
supervised
32,510
active gaming employee licences
and registrations



received and sent a total of
77,407
pieces of mail,
212
items every day of the year



Client Services staff
averaged **350** hours
answering phone calls
every month



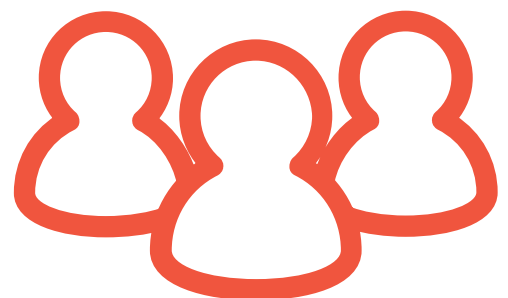
issued
20,678
proof of age cards which is a
33%
increase from 2015–16



achieved a
95%
client satisfaction rate



collected more than
1.8 billion
in government revenue



employed **203** people

Modernising our regulatory practice

Risk-based compliance

This year, the VCGLR strengthened the way it assesses regulatory risk. Undertaking consultation with co-regulators and government agencies, the VCGLR developed a tool to better identify where there may be a higher-risk of increased levels of harm. Using this tool, combined with data and intelligence from both internal and external sources, the VCGLR has been able to improve how it targets harm and deploy its resources accordingly. To further support this intelligence led risk-based approach, the VCGLR has established a new working group to develop a tasking and coordination framework.

Prioritising risk leading to better results

As part of its continued focus on minimising harm, during 2016–17, the VCGLR has improved the way it identifies and targets the greatest risk of high harm offences within licensed premises.

This was done by developing a new tool to inform the deployment of compliance inspectors. As a result, this year saw the highest number of offences relating to minors on licensed premises recorded by the VCGLR since 2013, with more than 30 such offences recorded. Importantly, the majority of these offences were at high-risk times, the largest number since 2009.

Targeting its resources based on an informed risk assessment demonstrably supports the VCGLR in achieving its legislative obligations.

Risk-based licensing

A working group from across the VCGLR is currently developing a risk-based framework for assessing and determining liquor licence applications. The framework will be used to identify higher-risk applications on the basis of certain risk factors. Decision makers will then be directed to undertake appropriate action, which may include further investigation, requesting more information or requiring the applicant to undertake mitigating measures such as submission of a venue management plan. The primary harms that the framework will target are high-risk drinking, minors consuming alcohol, violence and anti-social behaviour and, detriment to the amenity of community life.

Review of inquiries process

The VCGLR is carrying out a review of its hearings and inquiries to streamline processes, and develop practice notes to inform participants of how inquiries and hearings operate. Stage one of the review is now complete and involved a comprehensive review of existing processes, including engagement with stakeholders and benchmarking against similar regulators.

Stage two of the review is currently underway and involves the production of key processes and documents. The first set of practice notes have been published on the VCGLR website and the remainder will be published in the next financial year.

Modernising conditions

The Statement of Expectation from the Minister for Consumer Affairs, Gaming and Liquor Regulation prioritised a review of the standard conditions for liquor licences to determine if they are effective and appropriate to minimise harm. Due to the large number of licences, the review has been conducted in stages across different licence categories. The project began in November 2015 with the review of more than 400 wine and beer producer's licences. This was followed in May 2016 with a review of more than 170 licences relating to catering businesses. In January 2017, the VCGLR began its review of conditions on approximately 900 late night liquor licences, which are licences authorised to supply liquor after 1am.

LaGIS

The Liquor and Gambling Information System (LaGIS) was implemented in December 2016, providing access to both liquor and gambling data in a single system. The database is used by inspectors to document and record inspections, investigations and hold other relevant data. By incorporating specific checklists for both gambling and liquor inspections into its database, the system facilitates consistent inspections and allows inspectors to more easily record information. The checklists include the legislative obligations placed on licensees by specific Acts of Parliament.

Operating in a collaborative environment

Working together

The VCGLR continues to work collaboratively with co-regulators and other stakeholders in a joint approach to regulating the gambling and liquor industries. Working collectively ensures a more efficient and effective targeting of licensed premises at times of greater risk of harm as well as helping to reduce red tape for regulated industries. The VCGLR has developed collaborative stakeholder relationships with key agencies including the Victorian Responsible Gambling Foundation (VRGF), Emergency Services Telecommunications Authority (ESTA), Victoria Police, VicRoads, Australian Crime Intelligence Commission (ACIC) and others, and conducted a number of joint operations with partners throughout the year.

The VCGLR continues to build the foundation for future collaboration through formal agreements. In the past year the VCGLR signed an Information Protection Agreement (IPA) with VicRoads to enable the provision of information and is currently negotiating a Memorandum of Understanding (MOU) for the sharing of intelligence with AUSTRAC. In an effort to improve understanding of emerging high-risk areas of alcohol-fuelled harm, the VCGLR also signed an MOU with ESTA to formalise information sharing arrangements.

Joint operations

The VCGLR and Victoria Police continue to work together to affect positive change in the liquor industry. During the 2016–17 financial year a total of 34 joint operations were undertaken which identified a significant number of legislative

breaches. A number of these related to high-risks including the identification of minors, intoxicated and drunk persons at licensed venues as well as a high number of breaches of licence conditions, amenity issues and administrative offences. Appropriate enforcement action was taken as a result which included further education, risk management discussions, written warnings, penalty infringement notices, prosecution and disciplinary action recommendations.

During 2016–17, the Compliance Division and VicRoads undertook a number of joint operations to target minors illegally gaining access to late night licensed venues throughout the Melbourne CBD and surrounds. VicRoads assisted by sharing data to determine the authenticity of driver's licences, as well as providing expert advice on the legitimacy of documents.

In early 2017, the Compliance Division worked with the Metropolitan Fire Brigade (MFB) to address issues with a licensed premises that failed to meet a number of fire safety standards. As a result of inspections by the VCGLR and MFB, sections of the venue were closed until the required standards could be met. This collaboration with the MFB continued and included a joint operation with Victoria Police to inspect other licensed premises. The agencies focused on fire hazards, patron safety, amenity issues and compliance with building codes and the Liquor Control Reform Act. Inspections identified issues relating to emergency exit lights, sprinklers and smoke detectors, fire doors not fitted correctly or obstructed, and other legislative breaches. Agencies took appropriate enforcement action and education was provided to licensees.

Partnering with agencies to target minors

The VCGLR continues to work closely with co-regulators and other agencies to achieve results and minimise harms. In November 2016, the VCGLR's compliance inspectors conducted a joint operation with VicRoads and Victoria Police at a Melbourne CBD venue.

The venue was chosen following research which suggested it was one likely to attract underage patrons. Working with VicRoads officers, who were equipped with remote access to the driver licence database, the VCGLR could quickly check documents produced by suspected underage patrons.

Using this approach inspectors identified a patron using false identification. With additional information from the venue's CCTV and identification scanning technology, VCGLR and VicRoads staff then identified another three minors who had accessed the premises; two who had used counterfeit proof of age cards and another a 'borrowed' probationary driver licence.

Through VicRoads data as well as using social media scanning, the real identities of the suspected minors were determined and it was confirmed they were under 18 years of age.

By utilising new technology and working in partnership with other agencies, the VCGLR holds licensees and operators to account; targeting high-harm offences and ensuring minors do not gain access to licensed venues.

The Knowledge Exchange - Delivering valuable information for licensees

'Great opportunity for existing or new licensees to network with their local council members, police, neighbouring venues and VCGLR representatives. Amazing way to receive and request important information that may help you operate your business efficiently.'

Liquor licensee attending the Nunawading TKE

'I thought the event was excellent, it really opened my eyes to the reasoning behind and the purpose for liquor licencing regulation. I now see our licencing requirements, not just as a compliance process, but as a key plank of our club culture. It really makes good sense for our club to actively adopt and practice the alcohol guidelines, and enhance the associated governance of our club, particularly because we aspire to be a leading community organisation. We don't want sports-related injuries on the football field, and we don't want alcohol-related incidents marring our social functions.'

Community Club representative attending the Nunawading TKE

Stakeholder events

The Knowledge Exchange (TKE) events held in regional (Warrnambool) and metropolitan (Nunawading) locations provided an opportunity to communicate with industry and also understand the issues and challenges faced by local business owners and industry stakeholders. The TKEs are delivered in partnership with Victoria Police, Good Sports and industry representatives, who, through a series of presentations, provide information and updates to attendees about liquor and gambling issues. With a focus on training, Registered Training Organisations (RTOs) and industry trainers were in high attendance at the TKE event in Nunawading.

The Education team began a series of visits to RTOs in October 2016. The purpose of these visits was to remind RTOs of their obligations, answer any questions and also seek feedback from the RTOs about the Responsible Service of Alcohol (RSA) course including course materials and the RSA database. A checklist was provided to each RTO that summarised key expectations in the service delivery contract they have with the VCGLR.

This year, the Education team met with a number of local trader associations to identify opportunities for the education of small businesses such as licensed restaurants and cafes. As a result, the VCGLR is developing a series of articles that trader associations can include in their newsletters, spreading compliance and harm minimisation messages to this important industry sector. The Community Stakeholder Forums, held twice a year for both gambling and liquor, continued to provide a positive exchange between community organisations and the VCGLR and the opportunity to hear about community matters and concerns.

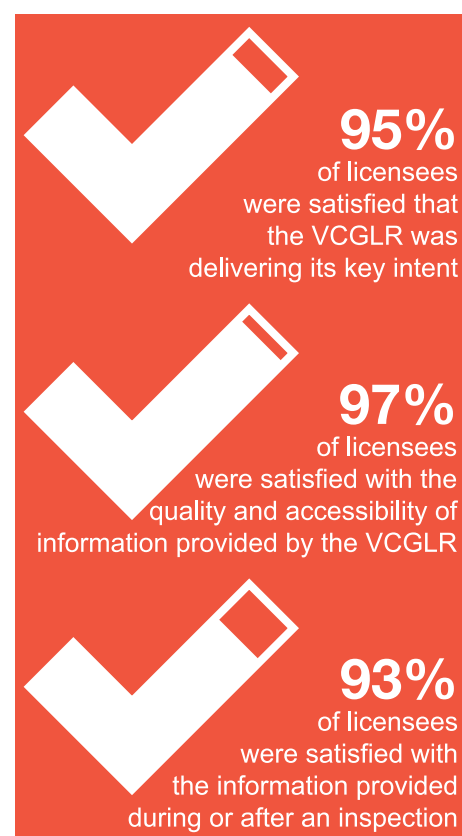
Amenity

Throughout the year, work has continued on the joint approach to address issues at licensed venues regarding noise and other amenity

concerns. The development of the framework was put on hold pending a review of current noise regulation, however a new working group comprised of the VCGLR, Victoria Police and Municipal Association of Victoria, with input from the Environment Protection Agency (EPA) as required, has recently been formed to progress this initiative. This group has established each agency's role and responsibilities and has developed terms of reference for future collaboration and the development and implementation of the framework. The VCGLR has also revised its internal amenity and complaints procedure which will be introduced in 2017–18.

Industry survey

The annual industry survey of the gambling and liquor industries is used to evaluate the effectiveness of the VCGLR's regulatory approach and efforts to minimise harm. The 2016–17 survey was held in May 2017, with interviews conducted with a mix of gambling and liquor licensees across the state and a range of licence categories. The 2017 survey revealed that the majority of licensees were satisfied with the VCGLR.



Digital expansion

New online forms

In 2016–17, the VCGLR continued to transfer a number of application forms from paper to online. This included applications for new or renewal of gaming industry employee licences, new casino special employee licences, approval of liquor nominees or directors, and approval of associated individuals of venue operators. A number of other forms are currently undergoing user-acceptance testing and due for release in early 2017–18.

The new online forms are in addition to other services already available online such as the temporary limited liquor licence applications. The move to online lodgement simplifies the process for applicants by providing quicker determination times. For example, since the gaming industry employee renewal form was moved online, the average determination time has halved from 12.4 days to 6.2 days.

In addition, online forms:

- allow for immediate lodgement of the application once all relevant sections are completed
- provide intuitive questions based on the applicant's responses
- enable the application to be saved and returned to at a later date
- provide immediate acknowledgement of lodged applications via email.

By early 2017–18, it is estimated 85 per cent of applications to the VCGLR will be made online.

New website

In February 2017, the VCGLR launched its new website to better educate and inform industry and community stakeholders. It features significant improvements to the usability and accessibility of the site, making it easier to use on a mobile or tablet device.

The new website was developed following consistent feedback that stakeholders found the previous site difficult to navigate. The new and improved site prioritises the user by providing information according to the audience and the task. The most common queries to the VCGLR appear on the home page making it easier for users to find what they are looking for.

Simplifying business with online forms

The VCGLR is continually looking for ways to improve and modernise how it does business. This year digital services continued to expand with the transfer of the Approval of a Nominee or Director for a Liquor Licence from paper to online.

Moving this high-volume form was a large undertaking. Before launching the online option, the VCGLR worked closely with major licensees Coles, Aldi and Woolworths on piloting the forms, giving them early access to test the form and provide their feedback.

Moving the form online has simplified the process for licensees with a Coles spokesperson stating that it is “a good initiative to reduce the cost of doing business and unnecessary red tape and delays.”

Since the VCGLR started making online forms available more than 50 per cent of all applications are received online. The number of forms received that require additional information before they can be processed has reduced from more than 20 per cent to less than five per cent, making the entire process quicker for both applicants and the VCGLR.



Gambling Industry Employee renewal average determination time reduced from **12.4** to **6.2** days



Better access to Commission decisions

In an effort to improve access to information and meet the directive set out in the Minister for Consumer Affairs, Gaming and Liquor Regulation's 2016 Statement of Expectations (SOE) the VCGLR has made its published decisions available in a modern and readily searchable form.

All historical reasons for decisions since the VCGLR's commencement in 2012 are now available on the AustLII website, with all new decisions published on an ongoing basis.

Paperless communication

In continuing efforts to modernise communication, the VCGLR has increased its use of email to correspond with licence applicants and local councils. Benefits of this include:

- applicants and councils receiving their correspondence quicker, allowing them to immediately take action of VCGLR directions
- a significant cost saving to the organisation through reducing mail correspondence
- a more simple and efficient processes for Licensing Division staff as it reduces the time spent on manually creating emails or filling envelopes.

Integrating systems

Through the Satellite Business System Consolidation project, a number of key business systems were integrated, reducing the number of business applications requiring internal maintenance. Additionally, the VCGLR's information technology security and network infrastructure

has been modernised, enabling further improvement of applications and online services in the future.

Creation of self-service portal for liquor licensees

In December 2016 the VCGLR launched a new self-service portal for liquor licensees, enabling them to manage and check their details online quickly and in their own time. Through the portal, licensees can:

- change their address for service of notices
- apply to add or replace the nominee associated with their licence
- apply to add or remove the director(s) associated with their licence
- check on the status of an application seeking approval of a new nominee or director.

Services available via this portal will be expanded over time.

New e-notification system

In June 2017, the VCGLR implemented its new e-notification system which, on a fortnightly basis, advises local councils of temporary limited liquor licences and major event licences (an event likely to attract more than 5000 patrons) in their area or municipality.

This initiative was implemented following feedback from councils that it would be beneficial to be notified of temporary events in their areas so they can plan for and monitor these events as required.

Working efficiently with council

Communicating effectively with stakeholders continues to be a priority for the VCGLR. This year the VCGLR delivered a new initiative to ensure local councils are informed of licensed events in their local areas.

To do this, the VCGLR first invited councils to a workshop where they advised on how they would like to receive information. Using this feedback, a new e-notification system was developed. The system was initially piloted with six councils and then launched across all local councils in June 2017.

As emails through this system are automatically generated, e-notification ensures that each council is kept up to date about relevant events in their areas and is a more efficient way for the VCGLR to communicate.

Since being launched, councils across metropolitan and regional Victoria have provided positive feedback on this initiative stating that it is a useful tool for them to remain up-to-date with licensed events.

"This is an extremely useful initiative that will be beneficial for Council, particularly for our enforcement officers who will benefit from knowing what has been approved in advance"
Representative from City of Yarra

"This is an excellent resource and will be of great assistance."
Representative from Greater Shepparton City Council

Electronic Responsible Service of Alcohol register

In March 2017, the VCGLR announced that Responsible Service of Alcohol (RSA) program registers are permitted to be supplied and produced electronically. The RSA program register must be accessible by all staff and produced on request, but this change means that licensees now have the option of whether to keep this information in a paper-based or electronic format.

E-licences available

In November 2016, the VCGLR introduced a new e-licence system which allows existing licensees to receive their annual liquor licence electronically. This means renewing licensees can now quickly and simply register online to receive their liquor licence.

Along with providing a fast and convenient service, licensees no longer have to wait for their licence to be printed and arrive by post. The VCGLR will continue to promote this renewal option in 2017–18.

For those licensees that used the e-licence option, the waiting time to receive their licence reduced from two months from payment to approximately five days.

Simplified process to modify gaming machine areas

In April 2017, the VCGLR notified gaming venues that regulatory requirements relating to when a venue operator must seek approval to modify its gaming machine area (GMA) have been amended. Prior to this, any modifications to the GMA, such as minor refurbishments, required the VCGLR's prior approval.

In an effort to reduce red tape for industry, prior approval from the VCGLR is now only required for modifications to the boundary of the GMA, and changes to the number of gaming machines within the GMA. Legislative obligations for gaming venue operators remain unchanged.

ServiceNow

Through the organisation-wide rollout of ServiceNow for key corporate services workflows such as the IT service desk, staff on-boarding and induction program, and a range of other services, the VCGLR has created a centralised service model.

This has improved planning, delivery and support of IT, Strategic Communication, People and Culture and Corporate Services activities to the organisation. In addition, ICT implemented Microsoft Outlook/Exchange across the VCGLR, replacing Lotus Notes Email and Calendar.

Operational improvements

Compliance reform

During 2016–17 the compliance division made significant reforms through revised processes, new training and implementing contemporary approaches to regulation of the gambling and liquor industries. This was a continuation of the compliance change program which began last year following internal reviews which identified a number of areas for improvement.

As part of this reform, in 2016–17 dedicated compliance teams were established to specialise in gambling, liquor, the Melbourne Casino, complaints management and probity. The specialist casino team assumes full responsibility for oversight of the casino complex and will develop its own customised operating model specifically for the casino complex and surrounds. Establishment of these teams provides staff with the opportunity to develop specialist expertise to more effectively identify and target harm.

New training initiatives have been developed and implemented across the Compliance Division. This began with an Inspector Training Program which commenced with a pilot program in October 2016. The program, developed in conjunction with an RTO, is competency based and aligns to a Certificate IV in Government Investigation (Regulatory Compliance). This specifically developed training comprises all the requirements, roles and expectations of an inspector at the VCGLR, including relevant legislation and the obligations of regulated entities. All inspectors are required to successfully complete this training program to maintain their authorisation as an inspector. As at June 2017, more than three quarters of inspectors had completed the program with the remainder expected to complete the training in the next financial year.

Targeting high-risk events

The VCGLR upholds a culture of integrity and harm-minimisation in the gambling and liquor industries. This year, that has been achieved by increasingly using intelligence and monitoring to identify and target high-risk events.

In early 2017, this approach led VCGLR inspectors to an event known as 'Backyard Boogie'. The event was advertised listing a number of DJs and a known music promoter. When the compliance team investigated, they found that the event's liquor licence application stated the venue would operate similar to an art gallery and would host a market.

When inspectors attended the premises they found a major dance event underway in an old warehouse with more than 300 patrons on site. While some art pieces were visible, the main purpose of the function appeared to be a rave. Normally events such as these would have specific licence conditions such as a requirement for crowd controllers to minimise harm.

As a result, the VCGLR identified several breaches of the Liquor Control Reform Act. Further investigations undertaken by the VCGLR and its regulatory partners, Victoria Police and Melbourne City Council, led to a number of infringement notices being issued. This example of an intelligence-led, risk-based approach shows how the VCGLR can use information to identify high-risk events and quickly take appropriate action.

In April 2017, the VCGLR put in place new rostering arrangements designed to provide increased flexibility for compliance inspectors to target higher-risk activities. This followed reviews which highlighted the need for the VCGLR to improve compliance activities to be more targeted to better address areas

of greatest risk of harm. Extensive consultation was undertaken with staff prior to the implementation of the new roster and an Occupational Health and Safety expert was engaged to assess the proposed roster changes. Engagement with staff continues as the VCGLR monitors the outcomes under the new roster arrangements.

Victorian Auditor-General's report

The Victorian Auditor-General's Office (VAGO) tabled its report into Regulating Gambling and Liquor in February 2017. The report showed that significant work remains to establish the VCGLR as a modern world-class regulator however it also acknowledged that the organisation has made progress in key areas. In particular the report found the VCGLR has improved internal reporting measures, acted to develop a more integrated approach to casino supervision, and built a more flexible and risk-based approach to compliance activities.

Work is progressing on addressing the issues raised in the report which were consistent with the VCGLR's own reviews including the Chair's 2015 review and the VCGLR's previous internal review into Compliance Division. As a result, a number of the recommended actions from VAGO were already underway through the VCGLR's own reform activities. This includes implementing a risk-based framework for licence applications, the compliance change program as well as improvements to the supervision of the Melbourne Casino. The organisation will continue to use the findings of VAGO, along with the outcomes of other internal reviews, to build a smarter, more effective organisation.

People

People, values and culture are essential elements of a high-performing organisation. The VCGLR focuses on the development of its staff, to build knowledge and expertise consistent with our approach to being a high-performing regulator.

Capabilities training program for licensing staff

Since November 2014, the VCGLR's Licensing Division has run biannual, application-based training programs aimed at developing licensing delegates' understanding and ability to process and determine a wide range of both gambling and liquor related applications. This year, the VCGLR also implemented a capabilities training program for licensing staff. This training program breaks down the capabilities required at each VPS level for each licence application or function. This new initiative is designed to improve staff skills in the work that they undertake, build a deeper understanding of what skills are required to be performed at each VPS level to assist in goal setting for staff, and for managers to identify and formalise on-the-job development opportunities.

Family Violence Awareness training

In response to the new provision in the 2016 VPS Enterprise Agreement regarding Family Violence Leave, the VCGLR developed new training resources to support any staff experiencing family violence, create a safer workplace, and, to ensure the Family Violence provisions are implemented appropriately. The training covered areas such as the development and creation of the VCGLR Family Violence Policy, an overview of family violence in Victoria and how the policy applies day-to-day in the workplace.

Family Violence Awareness training was made available to staff at all levels and was mandatory for all senior leaders in the organisation. Training began with an Executive briefing and training for the People and Culture team and Senior Managers (VPS 5 & 6 staff). Training was then offered to all staff to reinforce the importance of this initiative and the VCGLR's commitment to raising awareness of issues of Family Violence.

Table 1 – Family Violence Awareness Training delivered at the VCGLR

Delivered to	Number of participants
People & Culture	7
Senior leaders	41
All staff	30
Total	78

Improving policies and procedures

People and Culture has progressed its review of policies, processes and frameworks to ensure they met best practice and continue to build a positive, safe and respectful workplace culture. A number of policies were updated and refined as a result of this review.

The VCGLR introduced three new e-learning modules which were launched on 1 February 2017. These modules were designed to strengthen the VCGLR's integrity framework and cover Health and Safety, Respect in the workplace and the Victorian Public Service Code of conduct. The training was compulsory for all staff and now forms part of the induction training for new starters.

Workforce Strategy

Work has continued to implement the Workforce Strategy 2015–18 with the compliance training program being the focus of activities in the past 12 months. Over the next year the Workforce Strategy will implement initiatives focusing on leadership, capability and culture. These will include identifying and providing targeted development opportunities for outstanding staff, increased analysis to identify existing and future capability gaps, and, providing targeted workforce data to assist the Executive team manage staff development.

People Matter Survey

The People Matter Survey is an annual employee opinion survey run by the Victorian Public Service Commission. The VCGLR's 2017 results showed significant improvements across critical areas as well as a seven per cent increase in overall staff satisfaction, engagement and commitment. Staff satisfaction levels in a range of key categories improved from 2015–16 including:

- avenues of redress (10 per cent improvement)
- workforce planning (9 per cent improvement)
- change management (8 per cent improvement)
- equal employment opportunity (7 per cent improvement)
- integrity (5 per cent improvement).

Performance

The Victorian Government's Budget Paper 3 (BP3): Service Delivery provides an overview of the goods and services funded by the Government and delivered by departments, and how these support the Government's strategic priorities and objectives. The performance measures placed on the VCGLR fall under the output group Industry Regulation and Support: Gambling and Liquor Regulation and Racing Industry Development.

This output group delivers activities relating to the regulation of the gambling and liquor industries, harm minimisation, and support and development of the racing industry.

Table 2 - VCGLR BP3 outputs for 2016–17

Performance Measures	Unit of Measure	2016–17 Target	2016–17 Actual	Variance %
Quantity				
Liquor and gambling approvals, licence, permit applications and variations determined by VCGLR	number	46,000	50,204	9.10%
Liquor and gambling information and advice (VCGLR)	number	128,000	127,665	-0.30%
Liquor and gambling inspections completed by the VCGLR - metropolitan	number	11,400	9472	-16.9%
Liquor and gambling inspections completed by the VCGLR - regional	number	1600	1999	24.90%
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated	number	20	34	70.00%
Quality				
Liquor and gambling licensing client satisfaction (VCGLR)	per cent	80	95	18.80%
Timeliness				
Calls to VCGLR client services answered within 60 seconds	per cent	96	64	-33.30%
Liquor and gambling approvals, licence, permit applications and variations completed within set time (VCGLR)	per cent	80	94	17.50%

The VCGLR has not met its target of inspections to be completed in metropolitan areas but has exceeded its target of regional inspections. When inspection numbers are aggregated across regional and metropolitan areas, there is an -11.8 per cent variance against the annual BP3 target of 13,000. This can be attributed to the availability of inspectors to perform operational duties while undertaking new mandatory training requirements. Further, the VCGLR's increased focus on high-risk harms has required increased time and effort to regulate these activities.

The number of calls answered within 60 seconds is less than the annual target which can be attributed to the volume of enquiries exceeding available resources. While total enquiries to the VCGLR remain constant, the proportion of emails received is above forecast. Responses that are provided via this channel generally require more time than telephone enquiries to complete.

Commission meetings, inquiries and hearings

In 2016–17 there has been a marked increase in the number of commission meetings, inquiries and hearings compared to 2015–16. This includes a 30 per cent increase in the total number of matters determined and a 30 per cent increase in the number of commission meetings held. The increase in the number of matters determined relates to an increase in the internal review of liquor licence related decisions. The increase in commission meetings can be attributed to the special meetings required for projects such as the Lotteries Evaluation Project.

Table 3 – Commission meetings, inquiries and hearings 2016–17

Inquiries			
	Received	Hearings	Matters determined^[1]
Gaming – new premises	2	2	2
Gaming – electronic gaming machine increase	10	9	8
Gaming – appeal against refusal to grant a gaming licence	2	1	2
Gaming – appeal against refusal to renew community/charitable organisation declaration	0	0	0
Gaming – appeal against self-exclusion order	14	11	11
Gaming – disciplinary action	5	1	0
Gaming – extension of time to complete works	0	0	5
Liquor – contested application	3	10	3
Liquor – internal review	49	31	41
Liquor – section 91 disciplinary action	2	2	0
Liquor – section 94 amenity inquiry	0	0	0
Liquor – application to revoke barring order	1	0	2
Total 2016–17	88	67	74
Total 2015–16	67	51	57
Meetings			
Single Commissioner under delegation			17
Regular			12
Special			14
Total 2016–17			26
Total 2015–16			20

Note:

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

Regulatory approach

The VCGLR uses an integrated approach to performing its regulatory functions that is focused on licensing, information and education, monitoring and enforcement in combination to solve problems recognising that it is more effective if different regulatory tools are used in combination.

Five overarching principles guide how we regulate:

Risk-based

We use risk to guide our activities, the use of our resources and we aim for consistency.

Proactive

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

Collaborative

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

Transparent

We are open about how we regulate.

Targeted

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

License

The VCGLR works to ensure it has the appropriate processes in place to license individuals and businesses to provide gambling and liquor services and products.

Lotteries Evaluation Project

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

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

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

- the registrants from the Registration of Interest stage met specified criteria (stage one)
- each licence application referred to the VCGLR met legislative requirements (stage two).

Evaluations have concluded for both stages and reports submitted to the Minister. On 1 June 2017, the Minister announced that Tatts Group Limited had been awarded Victoria's public lottery licence (Tattersall's Sweeps Pty Ltd being a wholly-owned subsidiary of Tatts Group Limited).

Application determinations

The VCGLR aims to determine 80 per cent of gambling and liquor approvals and licence and permit applications within set times frames. In 2016–17 the VCGLR has exceeded this measure.

Table 4 – VCGLR licensing outputs for 2015–16 and 2016–17

Performance Measure	Target (%)	Target achieved in 2015–16 (%)	Target achieved in 2016–17 (%)
Gambling and liquor approvals, licence and permit applications and variations determined by VCGLR within set times	80	94.2	94.3
Licensing activity	Set time (days)	Target achieved (%) ^[1]	
Venue operator's licence	115	90	95.2
Minor gaming permit	5	79.1	71.9
Gaming industry employee and casino employee licence	11	91.2	92.9
Declaration as community or charitable organisation	21	88.6	84.1
Application for permanent liquor licence	77	96.6	96.4
Application for a BYO permit	46	82.5	85.7

Note:

[1] Percentage of applications determined within set time.

Inform and educate

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

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

Liquor forums and accords

There are more than 80 liquor forums across Victoria led by representatives from Victoria Police, local council or a licensee. Through liquor forums, local licensees develop strategies and programs to improve the operation of their business and reduce harm to their patrons, staff and the local community. The VCGLR supports forums by providing educational material and a monthly forum bulletin that includes information regarding legislative updates, news and obligation reminders.

This year, representatives from the VCGLR including education officers, compliance inspectors and client services staff attended 87 liquor forums of which 45 were in regional Victoria and 42 in metropolitan Melbourne.

Some forums also have a liquor accord which is a written document, approved by the VCGLR and Victoria Police, that sets out aims, actions and goals that provide practical solutions to local alcohol related problems and includes strategies to promote harm minimisation. There are 58 liquor accords currently operating in Victoria.

Industry training

Training is a key component of how the VCGLR supports voluntary compliance and reduces the risk of harm to the community. Specific training is required for new entrants to the industry, those working in the industry and those who work in late night venues. Training is also a tool used for those who incur demerit points. RTOs and trainers are accredited by the VCGLR to ensure that RSA training is delivered to agreed high standards across Victoria.

New Entrant Training

New Entrant Training (NET) ensures liquor licence applicants and transferees have adequate knowledge of the Liquor Control Reform Act prior to being granted a licence or becoming a nominee. There is one NET course specifically for club licensees which helps sporting and community clubs manage the service of alcohol responsibly and reduce alcohol-related harm. It is a requirement for all new licensees to complete a VCGLR recognised NET course. There was one new NET course recognised by the VCGLR this year increasing the number of NET training courses available to five. These courses have been delivered to 2664 participants over the last year.

Responsible Service of Alcohol

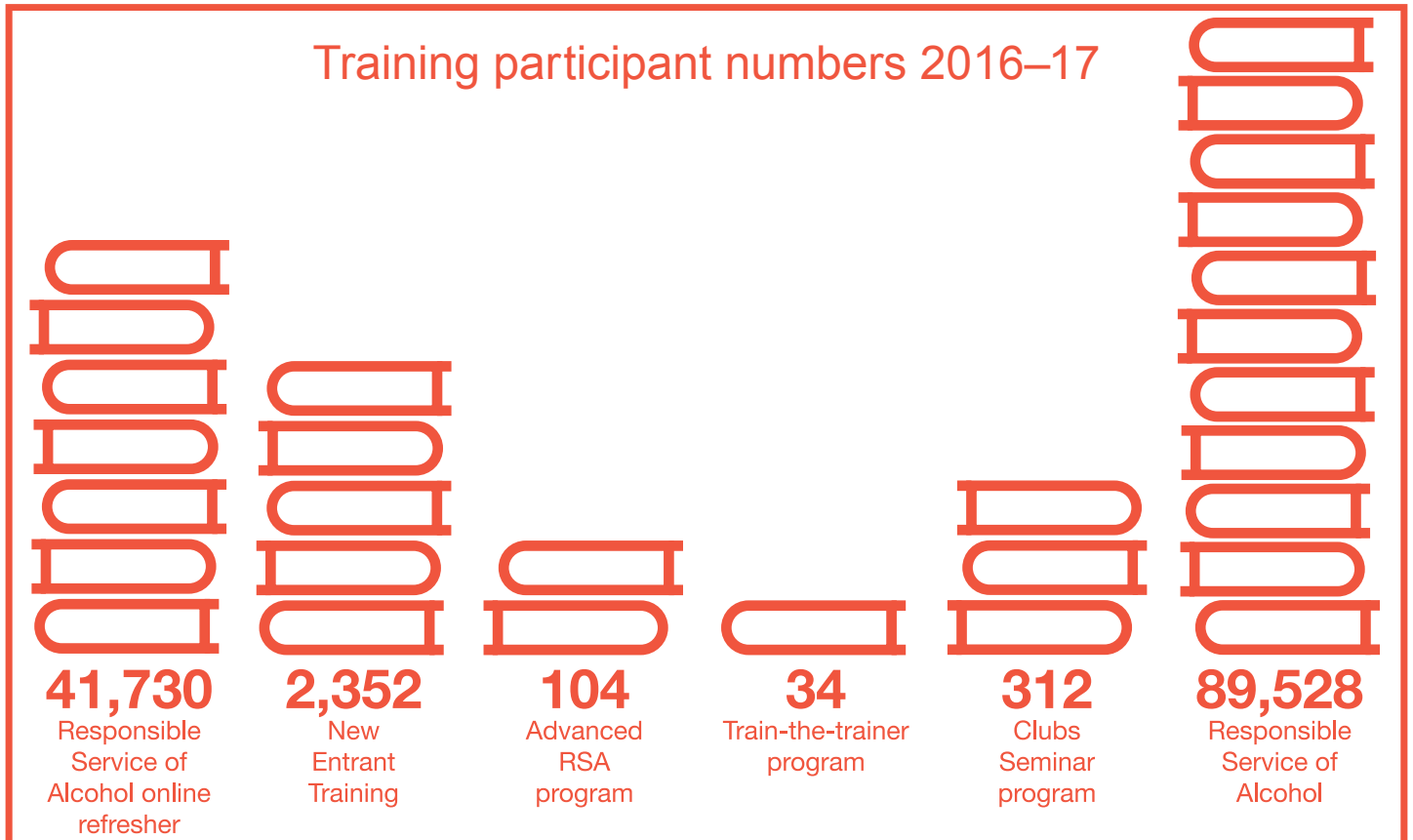
Responsible Service of Alcohol (RSA) training is mandatory for all licensees and staff selling, offering or serving liquor for general, on-premises, late night and packaged liquor licences, or if it is a condition on their licence.

Delivered face-to-face, the RSA program gives participants the skills and knowledge necessary to contribute to a safe, enjoyable environment in licensed premises. During the last year, 89,528 students have completed the RSA program delivered by 165 RTOs accredited by the VCGLR.

RSA training must be updated every three years by completing an online refresher course. The aim of the refresher is to keep skills up to date and be informed of any major changes. During the past year 41,730 participants have undertaken the free online refresher course via the VCGLR website.

Train the Trainer

The RSA 'Train the Trainer course' is delivered by the VCGLR to provide RSA trainers with an understanding of the legislation, skills and knowledge required to present the RSA course. The last year has seen 34 new trainers awarded with a RSA Train the Trainer certificate.



Advanced Responsible Service of Alcohol

The Advanced RSA is designed for licensees, managers and staff of late night venues who often face different challenges and issues. There have been 104 participants in Advanced RSA during 2016–17. Licensees who, due to non-compliance, have been penalised by VCGLR are also required to undergo Advanced RSA training. Launched in 2014, Advanced RSA was developed in partnership with William Angliss Institute who this year held eight courses.

Responsible Service of Gaming

An approved Responsible Service of Gaming (RSG) training course must be completed by all employees working in gaming machine areas. Up until 31 December 2016, RSG training was delivered by RTOs as approved by the VCGLR under the Gambling Regulation Act. The VCGLR’s authority to approve new RSG courses ceased on 1 September 2016. Up until that date, the VCGLR approved two new RSG courses.

As of 1 January 2017, RSG training is made up of two modules and both need to be completed by venue staff. Module one is available online via the Department of Justice and Regulation website and module two is delivered face to face by venue support workers.

RSG training requirements are now prescribed by the Gambling Amendment (Training Requirements) Regulations 2016. The new model of RSG training for Victorian gaming venue staff equips them with the knowledge and skills required to ensure that gaming is provided responsibly.

Monitor

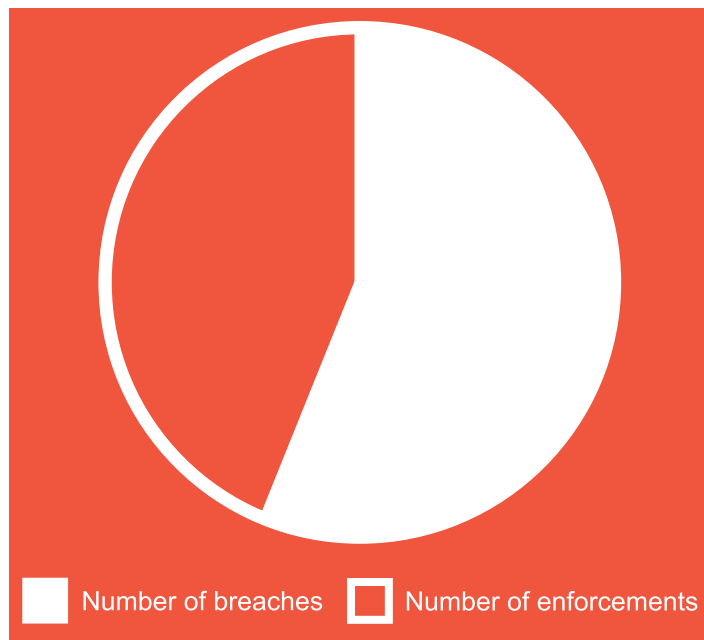
The VCGLR monitors the activities of the gambling and liquor industries in order to detect where individuals and businesses are not complying with their regulatory obligations.

Improved reporting measures

The VCGLR has implemented new internal reporting measures to improve the accuracy of records and ensure effective targeting of resources. These internal measures include the introduction of reporting on the proportion of inspections at high-risk times, inspection to breach to enforcement ratios and inspections of venues previously found to be in breach. Regular reporting of this data allows the VCGLR to better identify licensees that may require additional education or if licensees are continually breaching their licence conditions, in which case enforcement action may be appropriate.

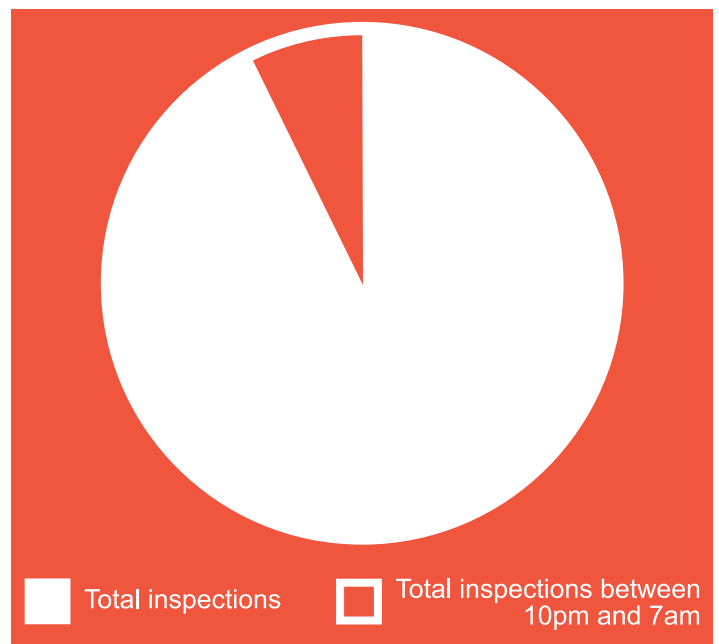
The enforcement to breach ratio shows the proportion of breaches detected that translate into enforcement action. A high ratio of enforcements is an indication that the detected breaches are of greater significance as they are resulting in enforcement action.

Graph 1 – 2016–17 gambling and liquor breach to enforcement ratio



Targeting venues at high-risk times

Graph 2 – 2016–17 Proportion of liquor inspections between 10pm and 7am



The VCGLR addresses high-risk harms stemming from the irresponsible service and supply of liquor. Consequently, the VCGLR has set a target of 12 per cent of liquor inspections undertaken between the hours of 10pm and 7am which is the time where the rate of high-risk breaches increases.

High-risk breaches include offences relating to minors accessing liquor, intoxication and drunkenness, patron capacities, CCTV coverage and other breaches in relation to the supply of liquor outside of the conditions of the respective licence. In 2016–17 the VCGLR undertook 1021 liquor inspections between the hours of 10pm and 7am, making up nearly ten per cent of all inspections, slightly less than the target of 12 per cent.

Higher-risk harms are more complex and require significant time and resources to monitor and target. The introduction of a dedicated training regime for all inspectors has resulted in fewer inspectors being available for operations this year. Addressing these harms in the most effective way possible to achieve the target will continue to be a focus for the VCGLR in 2017–18.

Mapping data

In an effort to reduce harm in the community our Technology and Compliance Divisions completed a prototype to ‘map’ infringement data and facilitate the scheduling of inspections in areas and around venues with a higher-risk of harm. The map incorporates emergency incident data assisting the VCGLR to identify emerging high-harm areas throughout Victoria.

Review of Standard Operating Procedures

With the introduction of the new training regime, Compliance Division reviewed all its Standard Operating Procedures (SOPs) to ensure they were up-to-date and consistent. All SOPs were updated to provide detailed processes for inspectors when undertaking their core duties in both gambling and liquor environments. The revised SOPs have been incorporated into the Inspector Training Program as well as the LaGIS inspection checklists.

Wholesale Sales Data Reporting

In 2014, the Liquor Control Reform Act was amended to require certain Victorian liquor licensees to report their wholesale transaction information to Government. Information to be collected includes the licence number of the licensee to whom the liquor is supplied, the postcode of the premises to which the liquor is delivered and the volume of each type of liquor that is supplied.

The VCGLR provides this information to the Office of Liquor, Gaming and Racing (OLGR) within the Department of Justice and Regulation. The data collected is designed to inform the government and its agencies to better address behavioural problems and long-term health impacts from inappropriate alcohol consumption.

In August 2016, this data was collected for the first time. Following reports from some licensees of difficulties in meeting this new reporting obligation the VCGLR, in consultation with OLGR, made minor amendments to the relevant regulations to help simplify the process. In 2017–18, the data will be able to be submitted in multiple formats providing greater flexibility for wholesalers to report.

Enforce

The aim of the VCGLR's enforcement regime is to ensure individuals and businesses regulated comply with their obligations. The VCGLR takes enforcement action to remedy non-compliance with gambling and liquor laws.

Key enforcement outcomes

The VCGLR undertakes a range of compliance and enforcement activities to address breaches of Victoria's gambling and liquor legislation. When non-compliance is identified, there are a range of actions available to the VCGLR such as written warnings, infringement notices, enforceable undertakings, disciplinary action and, where necessary, prosecution in court. The appropriate enforcement action is determined based on a range of factors including the severity of the situation, the risk of harm to the community and the history of non-compliance.

The VCGLR carried out ten prosecutions in 2016–2017 relating to contraventions of gambling and liquor legislation. These included:

- In October 2016, an individual was prosecuted in relation to after-hours gaming. The defendant had played an electronic gaming machine at a venue after-hours, where he was also an employee, after-hours and won \$8229.80. He was found guilty without conviction and placed on a good behaviour bond for 12 months, ordered to pay agreed costs of \$300 as well as an additional \$650 to Gateway Health. The winnings were required to be forfeited from the Club to the State to be transferred into the Consolidated Revenue Fund.
- In February 2017, Caszur Nominees Pty Ltd was prosecuted for modifying a gaming machine area without approval. The defendant had modified the gaming area without approval, by creating an alcove which was

being used to provide an EFTPOS facility to patrons. The defendant acknowledged responsibility for the offence. A diversion plan was entered into with the condition placed on the defendant to donate \$6000 to the Oncology Unit of Goulburn Valley Health.

- In March 2017, the Hawthorn Football Club Ltd was prosecuted for four breaches of legislation relating to unauthorised gambling. This resulted in Hawthorn Football Club Limited entering into a diversion program requiring good behaviour for 12 months and a donation of \$66,838 to the Salvation Army or a similar responsible gambling organisation.

For offences relating to breach of casino exclusion orders under the Casino Control Act, VCGLR inspectors have the power to issue infringement notices. In 2016–2017 the VCGLR carried out two prosecutions for persons with numerous breaches of a casino exclusion order under the Casino Control Act.

In 2016–17, 311 infringement notices were issued under the Liquor Control Reform Act.

During the financial year the VCGLR made a concerted effort to identify high-harm offences within licensed premises in Victoria. This resulted in a number of sanctions related to intoxication offences and minors accessing liquor and gambling products including:

- 23 breaches of minors on a licensed premises
- 3 breaches of minors entering a gaming machine area of an approved venue

- 1 breach of a minor gambling
- 2 breaches relating to the supply of liquor to intoxicated persons or permitting a drunk person on a licensed premises.

These breaches mark a significant increase in the number of high-risk breaches identified throughout the year, including minors located on licensed premises during high-risk times.

Demerit points system

Introduced in February 2012, Victoria's liquor licence demerit points system aims to improve compliance levels by encouraging responsible business practices in licensed premises. Under the demerit points system, licensees incur one demerit point for each non-compliance incident with points recorded against the licence for three years. At 30 June 2017, 72 demerit points were recorded across 60 different venues, compared with 68 demerit points across 59 different venues in 2015–16, and 81 demerit points across 65 venues in 2014–15.

Under the Liquor Control Reform Act, current licensees whose premises incur a demerit point(s) are not permitted to apply to the VCGLR to have the demerit point(s) removed. An application to remove any demerit points from a licence can only be made by a new licensee once the licence has been transferred. The VCGLR received no applications to remove a demerit point from a licence in the last financial year. 34 demerit points expired for 30 licences within the most recent reporting period.

Star rating discount for licensees

In 2016, 80 per cent of liquor licensees with a 'five star rating' received a 10 per cent discount on their 2017 annual liquor licence renewal fees. Five per cent of licensees with a 'four star rating' received a five per cent discount.

The star rating scheme provides an incentive to reward licensees who have recorded two or more consecutive relevant periods without a non-compliance incident. Liquor licences began at a three star level at the commencement of this system and at the commencement of a new licence.

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

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

Section Three

Appendices

Appendix 1 – Disclosure index

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

Legislation	Requirement	Page Number
Ministerial Directions and Financial Reporting Directions		
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	7,57
FRD 22H	Purpose, functions, powers and duties	7,80
FRD 8D	Departmental objectives, indicators and outputs	16–35
FRD 22H	Key initiatives and projects	16–35
FRD 22H	Nature and range of services provided	10–12
Management and structure		
FRD 22H	Organisational structure	10
Financial and other information		
FRD 8D	Performance against output performance measures	26,29
FRD 10A	Disclosure index	38–39
FRD 12B	Disclosure of major contracts	65
FRD 15D	Executive officer disclosures	62–64
FRD 22H	Employment and conduct principles	60
FRD 22H	Occupational health and safety policy	60
FRD 22H	Subsequent events	116
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	65–66
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	66
FRD 22H	Statement on National Competition Policy	66
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	66
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	66
FRD 22H	Details of consultancies over \$10,000	64
FRD 22H	Details of consultancies under \$10,000	64
FRD 22H	Disclosure of government advertising expenditure	64
FRD 22H	Disclosure of ICT expenditure	64–65
FRD 22H	Statement of availability of other information	68
FRD 24C	Reporting of office based environmental impacts	67
FRD 25C	Victorian Industry Participation Policy disclosures	64
FRD 29B	Workforce Data disclosures	61–63
SD 5.2	Specific requirements under Standing Direction 5.2	72

Legislation	Requirement	Page Number
Ministerial Directions and Financial Reporting Directions		
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	59
SD 5.2.3	Declaration in report of operations	1
Financial statements		
Declaration		
SD 5.2.2	Declaration in financial statements	72
Other Directions under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	72
SD 5.2.1(a)	Compliance with Ministerial Directions	40
SD 5.2.1(b)	Compliance with Model Financial Report	72
Other disclosures as required by FRD's in notes to the financial statements^(a)		
FRD 9A	Departmental Disclosure of Administrated Assets and Liabilities by Activity	86–89
FRD 11A	Disclosure of Ex gratia Expenses	112
FRD 13	Disclosure of Parliamentary Appropriations	80–81
FRD 21C	Disclosure of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Managements Responsibilities) in the Financial Report	113
FRD 103F	Non-Financial Physical Assets	90
FRD 110A	Cash Flow Statements	77
FRD 112D	Defined Benefit Superannuation Obligations	84

Note:
(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

Legislation	Page Number
<i>Building Act 1993</i>	66
<i>Carers Recognition Act 2012</i>	66
<i>Casino Control Act 1991</i>	7, 34, 46, 54–55, 80
<i>Casino (Management Agreement) Act 1993</i>	7, 80
<i>Financial Management Act 1994</i>	1, 57, 72–73, 79, 113
<i>Freedom of Information Act 1982</i>	65–66
<i>Gambling Regulation Act 2003</i>	7, 29, 31, 40, 46, 52–53, 55, 80
<i>Liquor Control Reform Act 1998</i>	7, 19, 24, 30, 33–34, 50, 54–56, 80
<i>Parliamentary Salaries and Superannuation Act 1968</i>	116
<i>Protected Disclosure Act 2012</i>	66
<i>Public Administration Act 2004</i>	6–7, 12, 60, 62–63, 116
<i>Racing Act 1958</i>	7, 80
<i>Victorian Commission for Gambling and Liquor Regulation Act 2011</i>	1–2, 57, 79, 80

Appendix 2 - Ministerial directions and regulatory requirements

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

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

There were no Ministerial directions made during the year. Ministerial directions can be found on the VCGLR website.

Table 6 - Electronic gaming machines limits imposed by Ministerial direction and regulatory requirements as at 30 June 2017 compared with 30 June 2016

	Number		Percentage (%)	
	2016	2017	2016	2017
Gaming machine entitlement limits imposed by section 3.4A.5 of Gambling Regulation Act	27,372	27,372	100	100
Allocated to venue operators	27,011	26,991	98.68	98.61
Number of gaming machines entitlements attached to an approved venue	26,492	26,528	96.79	96.92
Gaming machine entitlements inside / outside the Melbourne Statistical Division (MSD)				
Minimum outside MSD	5474	5474	20	19.20
Maximum inside MSD	21,898	21,517	80	78.61
Current outside	7810	7846	28.53	28.66
Current inside	19,426	19,390	70.97	70.84
Number of gaming machine entitlements				
Venue condition 'Hotel'	13,686	13,686	50	50
Venue condition 'Club'	13,550	13,550	49.50	49.50
Number of gaming machines entitlements attached to an approved venue				
Venue condition 'Hotel'	13,633	13,644	49.81	49.85
Venue condition 'Club'	12,859	12,884	46.99	47.07

Appendix 3 – Additional Information

Information available on the VCGLR website includes:

- bingo centres and commercial raffle organisers
- codes of conduct
- Commission decisions and reasons for decisions following hearings and inquiries
- community benefit statements
- demerits register
- enforceable undertakings
- gaming machine expenditure data broken down by local government area (monthly) and venue (bi-annually)
- fees and penalties
- gaming machine entitlements
- gaming signage
- gaming venue operators
- information on regional caps and municipal limits on the number of permissible gaming machines available for gaming in each capped region
- interactive map of liquor licences, Keno and wagering outlets and gaming venues
- liquor licences
- liquor signage
- laws and regulations
- Ministerial directions
- RSG training course providers
(this content moved to Department of Justice and Regulation's website from 1 January 2017)
- RSA training course providers
- Roll of manufacturers, suppliers and testers
- self-exclusion programs
- VCGLR directions and guidelines.

Appendix 4 – Gambling licensing-related activity

Employee licensing

The VCGLR issued 2,137 new licences and 300 renewed licences for gaming industry employees, casino special employees and bookmaker's key employees in 2016–17. There were 32,510 active licences at 30 June 2017, compared to 33,138 at 30 June 2016.

Table 7 - Number of active gaming employee licences and registrations at 30 June 2017

Category	2013–14	2014–15	2015–16	2016–17
Casino special employees	3,970	4,070	4,574	4,421
Gaming industry employees	29,456	28,703	28,353	27,863
Bookmaker's key employees	208	204	211	226
Total	33,634	32,977	33,138	32,510

Minor gaming

In 2016–17 the VCGLR determined 301 applications to be declared as community and charitable organisations and 317 applications seeking to renew their status to enable legitimate community and charitable gaming activities such as bingo and raffles.

The VCGLR issued 939 permits for other minor gaming activities (authorising raffles or fundraising events to be conducted, and lucky envelopes to be sold).

Commercial licensing

The VCGLR undertook 855 assessments relating to the structure, probity and financial status of participants involved in the Melbourne casino, gaming and racing industries. This included companies, associations, partnerships and individuals seeking approval to operate gaming or bingo venues, supply electronic gaming machines, organise commercial raffles, or supply goods and services to the Melbourne casino.

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

Gambling products

The VCGLR determined 226 changes to the electronic systems and equipment that underpin lotteries, casino gaming, Keno, gaming machine monitoring, and wagering and betting. Some of these changes improved system efficiency, while others supported the introduction of new or amended gambling products. Since December 2015, the VCGLR has also been responsible for assessing any changes to Intralot's electronic monitoring system to ensure it can facilitate the state wide pre-commitment system (YourPlay). In 2016–17, 30 approvals were determined in relation to modifications to the YourPlay system.

The VCGLR also determined applications for approval from manufacturers and suppliers for 216 new games or gaming machines, and 255 variations to existing games or gaming machines, to be supplied to both gaming venues and/or the Melbourne casino.

Ongoing monitoring

The VCGLR conducts periodic reviews of sports controlling bodies to assess their suitability to remain approved as sports controlling bodies for the sports betting events for which they are responsible. As at the end of 2016–17, two sports controlling body reviews were in progress.

In 2016–17, the VCGLR took disciplinary action against 10 venue operators, 6 holders of gaming industry employee licences, and 2 holders of casino special employee licence holders.

Sports betting and other approved betting events

In Victoria, the wagering and betting provider, Tabcorp, must only take bets on racing products or on betting events that have been approved by the VCGLR for betting purposes. During the year, the VCGLR considered no applications from Tabcorp to approve an event for betting purposes.

In 2015–16, the VCGLR approved no new sports controlling bodies. As of 30 June 2017, there were 10 approved sports controlling bodies.

Responsible gambling codes of conduct and self-exclusion programs

Commercial gambling providers are required to implement an approved responsible gambling code of conduct, and if they operate a gaming venue, conduct an approved self-exclusion program. The VCGLR is required to report to the Minister by 30 September each year on the operation and effectiveness of the codes of conduct and self-exclusion programs.

Gaming machine entitlements

The VCGLR manages the attachment, amendment, transfer, payment and extension of relevant holding periods relating to gaming machine entitlements. In 2016–17, the VCGLR determined:

- 25 applications for the amendment of the geographic conditions attached to an entitlement relating to 51 hotel entitlements and 119 club entitlements, all of which were granted
- 37 applications for the transfer of entitlements, relating to 362 hotel entitlements and 303 club entitlements, all of which were granted
- 33 applications to extend the entitlement holding period, all of which were granted.

In the financial year ending 30 June 2017, 28 club entitlements were forfeited, bringing the total of forfeited entitlements to 392. Twenty entitlements were forfeited as the venue operator ceased gaming operations and was unable to sell these club entitlements. Eight entitlements were forfeited under the relevant holding period provisions.

As of 30 June 2017, 373 entitlements (331 club entitlements and 42 hotel entitlements) were subject to the holding period provisions. The holding periods for these entitlements have been extended by us upon application by entitlement holders.

Table 8 - Gambling licensing-related activity

Licence or approval type			2014–15	2015–16	2016–17
Gaming industry employee	Issued	New	1,914	1,909	2137
		Renewal	306	254	300
		Replacement	336	332	251
	Refused		7	7	14
	Appealed		0	0	2
		Appeal rejected		0	0
Casino special employee	Issued	New	605	1075	558
		Renewal	72	170	212
		Replacement	113	127	110
		Upgrade	107	64	0
	Refused		0	0	1
Casino operator		Associate	2	2	0
Venue operator	Issued	New	7	9	13
		Renewal	64	42	41
		Nominee	123	105	96
		Associate	1,093	737	861
		Amendment	17	27	22
		Endorsement	1	0	0
Refused		0	0	1	
Bookmakers	Issued	Sole traders (new)	13	10	5
		Sole traders (renewal)	4	0	0
		Partnerships (new)	11	1	2
		Partnerships (renewal)	1	0	0
		New associate	2	3	0
	Refused		2	1	0
Bookmaker's key employees	Issued	New	11	9	16
		Replacement	2	1	2
Bingo centre operator	Issued	New	1	1	1
		Renewal	2	0	0
		Nominee	3	1	1
		Associate	15	6	2
		Amendment	3	0	n/a
	Refused		2	0	0
Commercial raffle organisers	Issued	New	2	3	1
		Renewal	1	0	0
		Nominee	3	3	1
		Associate	17	25	2

Licence or approval type			2014–15	2015–16	2016–17
Roll of Manufacturers, Suppliers and Testers	Issued	New	1	2	1
		Associate	63	36	33
	Refused		0	0	1
Public lottery		Associate	2	2	0
Wagering and betting		Associate	1	7	3
Keno		Associate	1	1	1
EGM monitor		Associate	4	3	1
Minor gaming permits	Issued	Raffles	547	471	559
		Bingo (notifications)	46	21	69
		Lucky envelopes	337	179	264
		Fundraising events	26	21	47
		Amendments	183	151	35
	Refused		1	0	1
Declaration of community or charitable organisation	Issued	New	332	286	298
		Renewal	178	128	317
	Refused		11	18	3
	Appealed		2	0	0
		Appeal granted	1	2	0
		Appeal rejected	0	2	0
		Appeal pending	1	0	0
Gambling product	New EGMs and EGM games	Approved	178	212	216
	Modification to EGMs, games and systems	Approved	737	654	255
	Linked jackpot arrangements in venues	Approved	122	474	388
	Modification to wagering system	Approved	82	90	90
	Modifications to Keno system	Approved	13	13	9
	Modification to lottery system	Approved	47	40	59
	Modification to Casino systems & equipment	Approved	39	60	68
	Variations to betting rules	Approved	1	2	1
	Variations to lottery rules	Approved	10	1	1
	New or variations to casino games or rules	Approved	15	11	18
	Sports betting event	Approved	0	1	0
	Sports controlling body	Approved	1	0	0

Gambling audit and risk and assurance

Revenue and operational assurance

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

A total amount of \$4.5 billion has been validated from gaming venues since 16 August 2012 in relation to gaming tax payable.

Through the process of direct sweeping of gaming tax obligation from a venue's nominated bank account, the VCGLR has successfully collected 99.99 per cent of taxes payable from gaming venues, with only \$18,990.69 outstanding since 16 August 2012, which relates to an amount written off due to the voluntary administration of a gaming venue. Therefore there is no unpaid debt to the State in relation to gaming taxes payable since August 2012.

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

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

Gambling player loss and taxes and levies paid 2016–17

As at 30 June 2017, player loss in its various forms within Victoria amount so \$5,221.5 million and taxes and levies paid to the State of Victoria amounts to \$1,642.8 million.

Table 9 – Player loss and taxes paid by category

Source	Player loss \$m	Taxes and levies paid into the Consolidated Fund \$m
Gaming machines - hotels and clubs	2,609.5	977.1
Melbourne Casino - gaming machines and table games ^[1]	1,556.3	207.7
Wagering—racing (totalisator), football, track-side and sports betting	830.6	54.1
Lotteries ^[2]	501.7	398.3
Keno	23.4	5.7
Total	5,521.49	1,642.82

Note:

[1] In relation to consolidated taxes for 2016–17, super tax of \$7.9 million is included in the schedule of Melbourne Casino taxes above, which were paid in July 2017.

[2] Victoria only

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

Gaming machines—hotels and clubs			
1 July 2016 – 30 June 2017	Average monthly player loss per machine		
	less than \$2,666	between \$2,666 and \$12,499	above \$12,500
Clubs	0.00%	46.70%	54.20%
Hotels ^[1]	8.33%	55.03%	62.53%
Casino 2015–16 - Gaming machines and table games			
General player casino tax (tables only)			22.25%
General player casino tax (gaming machines only)			32.57%
Commission based player tax (tables and gaming machines)			10.00%
Community Benefit levy (all players)			1.00%
Wagering 2015–16			
Totalisator (pari-mutuel) betting			7.60%
Approved betting competition			7.60%
Fixed Odd 2016–17			
Fixed Odds sports betting			4.38%
Fixed Odds track-side			10.91%
Lotteries 2016–17			
Public lottery tax (Australian sales)			79.40%
Public lottery tax (overseas sales)			90.00%
Soccer pools gaming tax (Australian sales)			57.52%
Soccer pools gaming tax (overseas sales)			68.00%
Keno 2016–17			
Gaming tax			24.24%

Note:

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

Table 11 - Tax collection analysis by month for 2016–17

Taxable Month	Number of Venues Scheduled for collection ^[1]	Monthly Tax Collection Status as at the end of FY 2016/17 (# of venues)		
		Failed initial sweep	Tax subsequently collected	Outstanding Tax at End of FY16/17
July 2016	480	-	-	-
August 2016	480	2	2	-
September 2016	479	1	1	-
October 2016	480	1	1	-
November 2016	477	1	1	-
December 2016	480	1	1	-
January 2017	472	1	1	-
February 2017	468	1	1	-
March 2017	471	1	1	-
April 2017	468	1	1	-
May 2017	472	-	-	-
June 2017	467	1	1	-

Note:

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

Community Benefit Statements

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

Table 12 - Community Benefit Statements

	Clubs
Number of Community Benefit Statements Lodged (as at 1 July 2017)	242
	\$'000
2015-2016 Net Gaming Revenue ("NGR")	894,096
Community Benefit Statement claims	
Class A	\$'000
a) Donations, gifts and sponsorships (including cash, goods and services)	17,674
b) Cost of providing and maintaining sporting activities for use by club members	27,562
c) Cost of any subsidy for the provision of goods and services but excluding alcohol	14,497
d) Voluntary services provided by members and/or staff of the club to another person in the community	4074
e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	922
Class A total	64,729
Class B	\$'000
a) Capital expenditure	4,889
b) Financing costs (including principal and interest)	5,989
c) Retained earnings accumulated during the year	284
d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	1,858
e) Operating costs	205,240
Class B total	218,260
Class C	\$'000
a) Provision of responsible gambling measures and activities but excluding those required by law	2
b) Reimbursement of expenses reasonably incurred by volunteers	180
c) CBS preparation and auditing expenses	271
Class C total	451
CBS Total (Class A + B + C)	283,440
Percentage of NGR claimed for community purposes	31.70%

Appendix 5 – Liquor licensing-related activity

In 2016–17, the VCGLR determined 15,329 liquor licence-related applications compared to 15,384 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 of determined applications covers a range of applications including 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. The majority of applications (68 per cent) were for temporary limited or major event licences.

Of the 15,720 finalised applications (being the total of all granted, refused and withdrawn applications), 87 per cent were finalised within 60 days of lodgement, compared to 89 per cent in the previous year. As of 30 June 2017, 17 per cent of applications awaiting determination had been pending for more than 60 days, compared to 13 per cent on 30 June 2016 and 13 per cent on 30 June 2015. Of the total applications finalised, 94 per cent were granted, 2 per cent were refused and 4 per cent were withdrawn by the applicant.

In a small proportion of finalised applications (1.8 per cent), objections to the grant of the applications were received from Victoria Police, local councils or community members. Approximately 45 per cent of these applications did not proceed as contested applications as either the objection was withdrawn or the application was withdrawn. Of those applications that did proceed as contested, 71 per cent were granted, often with special conditions.

As of 30 June 2017, there were 21,986 active permanent liquor licences, which represented a 2 per cent increase on the previous year. This was largely driven by 541 restaurant and cafe licences and 372 renewable limited licences being granted through the year.

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

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

The VCGLR issued 20,678 proof of age cards during the year, which are intended to be used to verify that a card holder is aged 18 years or over for the purpose of entering licensed premises. This year's figure represents a 33 per cent increase to the last financial year (15,578 cards).

At 30 June 2017, a total of 60 licences, incurring a total of 72 demerit points, were included in the demerit points register, as follows:

- one demerit point – 51 licences
- two demerit points – 7 licences
- three demerit points – 1 licence
- four demerit points – 1 licence.

The demerit points register is published on the VCGLR website.

Designated areas

Under section 147 of the Liquor Control Reform Act, the Commission has the power to declare an area in Victoria to be a designated area which provides Victoria Police with the ability to ban individuals from licensed premises in the area of 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 2016–17, the Commission declared five designated areas in Colac CBD, Footscray CBD and surrounding areas, Mildura CBD, Mornington CBD and surrounds and, Sunshine CBD and surrounding areas.

Table 13 - Licences granted by licence type

New permanent licences	2013–14	2014–15	2015–16	2016–17
Full club licence	2	0	1	0
Restricted club licence	2	5	4	1
General licence	26	27	41	51
Late-night (general) licence	0	0	1	2
On-premises licence	73	85	74	81
Late-night (on-premises) licence	2	0	2	2
Renewable limited licence	315	375	290	372
Packaged liquor licence	64	65	73	84
Late-night (packaged liquor) licence	0	0	0	0
Pre-retail licence	117	154	172	183
Restaurant and cafe licence	427	493	524	541
Wine and beer producer's licence	24	28	27	35
BYO permit	131	133	121	97
Total new permanent licences	1,183	1,365	1,330	1449
New temporary licences				
Total temporary licences^[1]	9,647	9,562	10,165	10,253

Note:

[1] Includes temporary limited licences and major event licences.

Table 14 - Proof of age cards issued

2013–14	2014–15	2015–16	2016–17
14,288	13,312	15,578	20,678

Table 15 - Total liquor licence applications

	2013–14	2014–15	2015–16	2016–17
Lodged	15,971	15,654	15,814	15,468
Finalised	16,014	15,873	15,776	15,720

Red tape reduction performance

The VCGLR continues to develop more efficient and effective ways to regulate with a focus on harm minimisation. Over the past year a number of initiatives have simplified the regulatory process. These include:

- a new VCGLR website making information easier to find and accessible via mobile and tablets
- a simplified process for venues seeking to make minor changes to gaming machine areas
- an increase in the number of application forms available online allowing for quicker lodgement and reducing requests for further information
- a new self-service portal for liquor licensees where they can update and check their details
- the Responsible Service of Alcohol register now accepted in electronic or paper-based formats
- liquor licences are now available in an electronic format
- a greater use of email in communicating with licensees to facilitate quicker communication
- an automated process for local councils to be notified of liquor licence applications in their areas.

Appendix 6 – Compliance and enforcement

Compliance activity 2016–17

Table 16 - Gaming venue operator disciplinary action in date order

Venue operator	Grounds	Decision Date	Result
Myrtleford Savoy Sporting Club Inc	Failed to lodge an Associated Individual application within the required time frame.	19 August 2016	Letter of censure
Northcote Park Football Club Inc	Failed to provide required information by failing to lodge its 2015–16 Community Benefit Statement by the due date.	8 November 2016	Letter of censure
The Red Cliffs Club Inc	Failed to provide required information by failing to lodge its 2015–16 Community Benefit Statement by the due date.	15 November 2016	Letter of censure
Eastwood Golf Club Inc	Failed to provide required information by failing to lodge its 2015–16 Community Benefit Statement by the due date.	17 November 2016	Letter of censure
Colac RSL Sub-Branch Inc	Failed to lodge an Associated Individual form within the required time frame.	14 February 2017	Letter of censure
The Brunswick Club	Failed to lodge an Associated Individual form within the required time frame.	31 March 2017	Letter of censure
Cobden Gold Club Inc	Failed to lodge an Associated Individual form within the required time frame.	5 April 2017	Letter of censure
Hampton Bowls Club Inc	Failed to lodge an Associated Individual form within the required time frame.	22 May 2017	Letter of censure
B. & M. Francis Hotel Pty Ltd	Contravened a provision of the Gambling Regulation Act.	30 June 2017	Letter of censure
Italian Australian Sporting and Social Club of Gippsland Inc	Contravened a provision of the Gambling Regulation Act.	30 June 2017	Letter of censure

Table 17 - Gaming industry employee disciplinary action in date order

Grounds	Decision Date	Result
An individual contravened a condition of their licence.	6 September 2016	Letter of censure
An individual contravened a condition of their licence.	6 October 2016	Letter of censure
An individual contravened a condition of their licence.	23 February 2017	Letter of censure
An individual contravened a condition of their licence.	8 May 2017	Letter of censure
An individual contravened a condition of their licence.	31 May 2017	Cancellation
An individual contravened a condition of their licence.	8 June 2017	Letter of censure

Table 18 - Casino special employee disciplinary action in date order

Grounds	Decision Date	Result
That the licensee has failed to provide information that he or she is required by the Act to provide or has provided information knowing it to be false or misleading.	16 August 2016	Licence suspended for three months
An individual contravened a condition of their licence.	8 June 2017	Letter of censure

Table 19 - Prosecutions under the Gambling Regulation Act in date order

Name	Relevant Offence ^[1]	Court date	Court result
Individual	After hours gambling – section 3.5.22 of the Gambling Regulation Act.	31 October 2016	Without conviction, 12-month good behaviour bond with a condition to pay Gateway Health \$650, plus costs \$300
Casur Nominees Pty Ltd	Modify gaming machine area without approval – section 3.3.16(1) of the Gambling Regulation Act.	23 February 2017	Diversion plan entered into with the following condition: <ul style="list-style-type: none"> • Donate \$6,000 to the Oncology Unit of the Goulburn Valley Health by 25 May 2017.
Individual	Possess a gaming machine not in accordance with section 3.5.1(1) of the Gambling Regulation Act.	15 March 2017	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> • Donate \$200 to the Victorian Responsible Gambling Foundation by 10 May 2017. • Pay \$400 costs to the Victorian Commission for Gambling and Liquor Regulation by 10 May 2017. • The gaming machine be forfeited to the Victorian Commission for Gambling and Liquor Regulation to be destroyed by the Authority within 30 days after the completion of the Diversion Program.
Hawthorn Football Club Ltd	4 x conduct unauthorised gambling – section 2.2.1(1) of the Gambling Regulation Act.	23 March 2017	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> • Be of good behaviour for a period of 12 months (until 22 March 2018). • Donate \$66,838 to the Salvation Army or similar responsible gambling organisation.

Note:

[1] 'Relevant offence' in relation to a venue operator means:

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

Table 20 - Prosecutions under the Casino Control Act in date order

Relevant Offence	Court date	Court result
Nine charges against an individual for breaching a Casino Exclusion Order (section 77).	20 March 2017	With conviction, fined \$5400 plus costs of \$200.
Three charges against an individual for breaching a Casino Exclusion Order (section 77).	29 June 2017	<p>A Diversion plan was entered into with the following conditions:</p> <ul style="list-style-type: none"> • Donate \$325.60 to The Smith Family by 26 March 2018. • Pay costs of \$76 to the VCGLR by 26 March 2018. • Undertake counselling for gambling through the Victorian Responsible Gambling Foundation (or a similar responsible gambling organisation), and provide a certificate of attendance by 26 March 2018. • To be of good behaviour for the period of the plan until 26 March 2018.

Appeals against exclusion orders

During 1 July 2016 to 30 June 2017, 14 appeals were lodged against exclusion orders issued by Crown under section 72 of the Casino Control Act prohibiting persons from entering or remaining in the Melbourne Casino.

Of these 14 appeals lodged, 1 appeal was allowed, 7 were rejected, 1 appeal was withdrawn and 5 appeals are yet to be determined.

Warnings and infringement notices

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

Informal written warnings are issued when there has been a licence condition breach. It gives the licensee an opportunity to voluntarily return their premises to a compliant state within a particular time frame. These notices and letters are not a formal part of the legislation. However they are used to track the history of licensees or other parties in terms of non-compliance and may be used at disciplinary proceedings should the non-compliance continue. Infringement notices are also issued when there is a licence condition breach and are used instead of a court appearance.

In 2016–17, 235 infringements and 118 official and informal warning letters were issued to casino patrons for breaching their exclusion orders. There were 27 informal written warnings were issued for breaches at gambling venues other than the Melbourne Casino.

There were 2011 informal letters issued for breaches of the Liquor Control Reform Act in 2016–17. Infringement notices for breaches of the Liquor Control Reform Act totalled 311.

There was no disciplinary action inquiry undertaken under section 91 of the Liquor Control Reform Act finalised in 2016–17.

Victoria Police also issue liquor licensing infringement notices which are not included in the VCGLR's Annual Report.

Table 21 - Number of gambling-related warning and infringements issued by the VCGLR in 2016–17 by type

Type of written warning	Number
Informal written warnings – Gambling Regulation Act	27
Official and informal warning letters for exclusion breaches under the Casino Control Act	118
Infringements for exclusion breaches under the Casino Control Act	235

Table 22 - Enforceable Undertakings under the Liquor Control Reform Act in date order^[1]

Licensee	Premises	Licence type	Commencement date	Length of undertaking
Godix Pty Ltd	Noble Drop Liquor	Packaged Liquor	4 November 2016	One year.
JDOT Pty Ltd	Bomboras Torquay	Limited Licence	24 January 2017	No expiry date.
Coolan Nominees Pty Ltd	The American Hotel	Late Night (General)	14 March 2017	Until the determination of the application referred to in paragraph 2 of the undertaking (occurred 22 March 2017).

Note:

[1] Additional information published on VCGLR website.

Table 23 - Number of liquor-related warnings and infringements issued by the VCGLR in 2016–17 by type

Type of written warning	Number
Informal written warnings – Liquor Control Reform Act	2011
Liquor infringements - Liquor Control Reform Act	311

Table 24 - Prosecutions under the *Liquor Control Reform Act 1998*, in date order

Name	Offence and date committed	Court date	Court result
Mulvihill Times Pty Ltd	Exceeding the licensed premises maximum patron capacity – section 108(1)(a)(i) of the Liquor Control Reform Act.	23 January 2017	Without conviction. \$3,000 fine plus \$79.50 for costs.
Individual	Sell liquor without a licence – section 107(1) of the Liquor Control Reform Act.	7 February 2017	Without conviction. 12-month good behaviour bond with a condition to pay \$300 to the Court Fund plus \$300 costs.
Jonathan Samuels Pty Ltd	Supply liquor not in accordance with licence - section 108(1)(a)(i) of the Liquor Control Reform Act.	21 April 2017	Without conviction. \$1,000 fine and \$400 costs.
Café Neo Pty Ltd	Sell liquor without a licence - section 107(1) of the Liquor Control Reform Act.	11 May 2017	Diversion plan entered into with the following condition: Donate \$100 to the court fund.
R&R Liquor Castle Pty Ltd	Supply liquor not in accordance with licence - section 108(1)(a)(ii) of the Liquor Control Reform Act.	12 May 2017	Commission’s application to strike out the appeal upheld, with costs for the penalty reminder notice. The order of enforcement of the PIN by the Infringements Registrar was upheld.
Fidus Amicus Pty Ltd	Supply liquor not in accordance with licence - section 108(1)(a)(i) of the Liquor Control Reform Act.	27 June 2017	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> • Donate \$200 to the Smith Family and provide the Court a receipt of payment from the organisation; • Pay \$200 to the VCGLR and provide evidence of payment; and • To be of good behaviour for the period of the plan until 18 December 2017.

Appendix 7 – Governance

Establishment

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

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

Audit and Risk Management Committee

The VCGLR's Audit and Risk Management Committee of a public entity is an independent committee established in accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

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

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

The VCGLR Audit and Risk Management Committee comprised Mr David Boymal AM (Chair), Deputy Chairperson Deirdre O'Donnell and Commissioner Des Powell. All members are independent and the Chair is external to the VCGLR. In 2016–17 the Committee met four times (19 September 2016, 7 November 2016, 6 March 2017 and 8 May 2017).

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

Risk Management

Compliance with the Victorian Government risk management framework

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

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

People and Culture Committee

Established on 21 September 2015, the VCGLR's People and Culture Committee advises and assists the Commission to help ensure that:

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

The People and Culture Commissioner members from 1 July 2016 to 28 April 2017 were Deirdre O'Donnell PSM (Committee Chair), Dr Bruce Cohen and Des Powell AM.

From 29 April 2017, the Committee comprised Deirdre O'Donnell PSM (Committee Chair), Ross Kennedy PSM and Des Powell AM.

Legislation, Regulation and Policy Committee

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

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

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

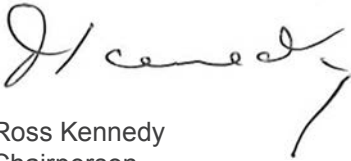
- consider, test and validate new and existing regulatory practices, initiatives and operational approaches
- consider, analyse and monitor opportunities for red tape reduction
- consider, monitor and propose changes to the legislative or regulatory landscape
- actively seek to identify and consider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

The VCGLR Legislation, Regulation and Policy Committee from 01 July 2016 to 28 April 2017 comprised Ross Kennedy AM (Committee Chair), Dr Bruce Cohen and Helen Versey.

From 29 April 2017, the Committee comprised Helen Versey (Committee Chair), Ross Kennedy AM and Deirdre O'Donnell.

Attestation

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



Ross Kennedy
Chairperson
Victorian Commission for Gambling and Liquor Regulation

On this date 24 August 2017

Occupational health and safety

The VCGLR has an active Occupational Health and Safety Committee that meets quarterly and ensures work-related risks are identified and addressed. During this year the number of workers compensation claims have decreased as has the number of workplace incidents. The average cost per claim increased in 2016–17 due to a combination of the Victorian WorkCover Authority (VWA) statistical estimate component of the total incurred claims cost being significantly higher and the reduction in standard claims.

Incident management

Incidents across the VCGLR decreased by 3.9 per 100 FTE in 2016–17. The rate of claims and time lost due to claims also decreased. This can be attributed in part to the successful implementation of the new occupational health and safety e-learning module that all VCGLR staff completed, a revised OH&S Policy that incorporated comprehensive fatigue management guidelines for our shift work staff and an immediate, proactive and collaborative approach to managing workplace accidents and incidents.

Table 25 - Incidents, claims, fatalities and claim costs from 2013–14 to 2016–17 per 100 full time equivalents (FTE)

Measure	KPI	2012–2013	2013–2014	2014–2015	2015–2016	2016–2017
Incidents	Number of Incidents ^[1]	38	26	15	18	12
	Rate per 100 FTE	18.1	14.14	8.16	10.08	6.09
Claims	Number of standard claims ^[2]	4	3	5	3	2
	Rate per 100 FTE	1.91	1.63	2.72	1.68	1.02
	Number of lost time claims ^[2]	2	3	4	3	2
	Rate per 100 FTE	0.95	1.63	2.18	1.68	1.02
Fatalities	Fatality claims	0	0	0	0	0
Claim costs	Average cost per standard claim ^[2]	\$1,026	\$68,267	\$3,355	\$56,571	\$220,803

Notes:

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

[2] Victorian WorkCover Authority (VWA) data supplied by agent as at 1 July 2017. Total standard claims and time lost claims includes accepted and rejected claims. Under excess claims are excluded. 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.

Employment and conduct principles

The VCGLR continues to promote public administration values and adhere to open and transparent employment principles. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.

Public sector values and employment principles

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

The VCGLR has comprehensive policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. The VCGLR has also developed an integrity framework that supports and promotes our values.

Comparative workforce data

Table 26 - FTE staffing trends from 2012 to 2017

Year	2017	2016	2015	2014	2013	2012
FTE	197.04 ^[1]	178.55	183.79	183.92	209.93	242.96

Note:

[1] FTE count does not include contractor and casual positions. During 2016-2017 a number of the contractor and casual positions were converted into ongoing Victorian Public Service positions.

Table 27 - Summary of employment levels in June 2016 and June 2017

	Ongoing employees				Fixed term and casual employees	
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE	
June 17	188	172	16	182.24	14.8	
June 16	175	161	14	169.75	8.8	

Table 28 – Details of employment levels in June 2016 and 2017

	June 2017						
	All employees		Ongoing employees			Fixed term and casual employees	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Gender:							
Male	116	115	107	2	108	7	7
Female	87	82	65	14	74	8	8
Total	203	197	172	16	182	15	15
Age							
15-24	1	1	0	0	0	1	1
25-34	50	49	42	2	43	6	6
35-44	55	51	42	10	48	3	3
45-54	44	44	39	1	40	4	4
55-64	48	47	45	2	46	1	1
65+	5	5	4	1	5	0	0
Total	203	197	172	16	182	15	15
Classification							
VPS 1	0	0	0	0	0	0	0
VPS 2	20	19	16	4	19	0	0
VPS 3	56	55	48	4	51	4	4
VPS 4	56	54	48	6	52	2	2
VPS 5	36	35	31	2	32	3	3
VPS 6	29	29	23	0	23	6	6
STS	0	0	0	0	0	0	0
Executives	6	6	6	0	6	0	0
Total	203	197	172	16	182	15	15

Note:

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

FTE means full time staff equivalent.

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

Income band (salary)	Executives	STS	Other
\$160,000 - \$179,999	1	0	0
\$180,000 - \$199,999	3	0	1
\$200,000 - \$219,999	1	0	0
\$220,000 - \$239,999	0	0	0
\$240,000 - \$259,999	1	0	0
Total	6	0	1

Note:

The salaries reported above are as at June 2017, at a 1 FTE rate and exclude superannuation.

Executive officer data

For a public body, an executive officer (EO) is defined as a person, other than a statutory office holder or an accountable officer, who is employed as an executive under part 3 of the *Public Administration Act 2004* (PAA), or is a person 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 and corresponding previous reporting year.

Table 28 – Details of employment levels in June 2016 and 2017 (cont'd)

June 2016							
All employees		Ongoing employees			Fixed term and casual employees		
Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	
101	101	97	1	98	3	3	
83	78	64	13	72	6	6	
184	179	161	14	170	9	9	
1	1	1	0	1	0	0	
47	46	42	3	44	2	2	
45	42	33	9	39	3	3	
44	44	41	0	41	3	3	
43	43	41	1	42	1	1	
4	4	3	1	4	0	0	
184	179	161	14	170	9	9	
0	0	0	0	0	0	0	
20	19	17	3	19	0	0	
47	46	43	3	45	1	1	
57	55	50	6	54	1	1	
30	29	24	2	25	4	4	
25	25	22	0	22	3	3	
1	1	1	0	1	0	0	
4	4	4	0	4	0	0	
184	179	161	14	170	9	9	

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

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

Table 30 – Executive staffing profile by gender

2017							
Class	All		Male		Female		Var.
	No.	Var.	No.	Var.	No.	Var.	
EO1	0	0	0	0	0	0	0
EO2	0	0	0	0	0	0	0
EO3	5	2	3	2	2	2	0
Total	5	2	3	2	2	2	0

Note:

In the VCGLR 2015–16 Annual Report, the definition for EO was different i.e. did not exclude accountable officers from the count. As a result of this the EO numbers as at June 2016 in this report differ from the numbers in last year's report.

Table 31– Reconciliation of executive numbers

	2017	2016
Executives (Financial Statement)	5	3
Accountable Officer (CEO)	1	1
Less separations	0	0
Total executive numbers at 30 June	6	4

Victorian Industry Participation Policy

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

Government advertising expenditure

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

Consultancy expenditure

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

In 2016-17, there were three consultancies where the total fees payable to the consultant was \$10,000 or greater. The total expenditure incurred during 2016-17 in relation to the consultancies is \$134,600 (excluding GST). Details of the consultancies are outlined below.

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

Consultant	Purpose of Consultancy	Start date	End date	Total Approved Project fee (excl GST)	Expenditure 2016-17 (excl GST)
Cube Group Management Consulting (Aust) Pty Ltd	Expert advice including options analysis for development of business case.	September 2016	November 2016	\$31,600.00	\$31,600.00
Cube Group Management Consulting (Aust) Pty Ltd	Provision for due diligence and evaluation.	January 2017	March 2017	\$66,000.00	\$66,000.00
GTA Pty Ltd	Provision for due diligence and technical evaluation.	November 2016	January 2017	\$52,380.00	\$37,000.00

Details of consultancies under \$10,000

In 2016–17 there were no consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000.

Information and Communication Technology expenditure

Details of Information and Communication Technology expenditure

For the 2016–17 reporting period, the VCGLR had a total ICT expenditure of \$8,095,185 with the details on the next page.

Table 33 – Details of ICT expenditure

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities			
Business As Usual (BAU) ICT expenditure Total	Non-Business As Usual (non-BAU) ICT expenditure (Total = Operational expenditure and capital expenditure)	Operational expenditure	Capital expenditure	
\$ (excl. GST)	\$ (excl. GST)	\$ (excl. GST)	\$ (excl. GST)	
6,459,535	1,635,650	430,618	1,205,032	

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

Disclosure of major contracts

There were no contracts with a value of greater than \$10 million entered into by the VCGLR in 2016–17.

Summary details of contracts with a commitment greater than \$100,000 entered into during 2016–17 year have been published on the Victorian Government website – tenders.vic.gov.au.

Freedom of Information

The *Freedom of Information Act 1982* (FOI Act) gives members of the public the right to apply for access to 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.

In 2016–17, the VCGLR had an average processing time of 41 days, which is within the statutory requirement of 45 days.

Table 34 - Freedom of information requests received during 2016–17

Requests received	22
Initial decision	
Granted in full	1
Partially granted	8
Denied	2
Previously released	0
In process	5
Non-existent document requested	1
Not proceeded with	1
Withdrawn	2
Transferred to another agency	2
Total	22

Table 35 - Information about freedom of information requests received during 2016–17

Information about requests	
Transferred from another agency	0
Average processing time (days)	41
Applications for review to the FOI Commissioner	0
Applications to the Victorian Civil and Administrative Tribunal	0
Complaints to the FOI Commissioner	0

Making a freedom of information request

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

A FOI request for documents must include the following:

- It must be in writing to the VCGLR FOI Officer or made online by accessing foi.vic.gov.au/home/how+to+apply/making+a+request/.
- It must clearly describe the documents being requested, and provide sufficient detail to enable the document(s) being sought to be identified.
- It must be accompanied by the appropriate application fee (currently \$28.40). If an applicant is suffering financial hardship, they may request the VCGLR to waive the application fee. Other costs (photocopying, search and retrieval charges) may be incurred in granting access to the documents requested. These will be communicated accordingly.

The written request should be addressed to:

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

or

Level 3, 12 Shelley Street
Richmond Victoria 3121

Further information regarding Freedom of Information can be found at foi.vic.gov.au and the Freedom of Information Commissioner's website, foicommissioner.vic.gov.au.

Compliance with the *Building Act 1993*

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

National Competition Policy

The VCGLR complies with the National Competition Policy.

Compliance with the *Protected Disclosure Act 2012*

The VCGLR has established procedures that comply with the requirements of the *Protected Disclosures Act 2012*. These procedures require that disclosures of improper conduct or detrimental action by the VCGLR, its members or staff be reported to the Independent Broad-based Anti-corruption Commission (IBAC). Disclosures may be made by members and staff of the VCGLR or the public. Where the VCGLR becomes aware that a disclosure has been made to IBAC, the VCGLR will take reasonable steps to protect the welfare of relevant individuals.

Further information regarding Protected Disclosures can be found on VCGLR's website or on IBAC's website.

Compliance with *Carers Recognition Act 2012*

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

Office based environmental impacts

Energy

The VCGLR consumed 1,720,812.5 megajoules (MJ) of electricity for its North Richmond office tenancy during 2016–17 year and this equates to 371.07 MJ per square metre. In relation to greenhouse gas emissions, this means a total of 587.94 tonnes of CO₂-e.

Waste

While the VCGLR continues to conscientiously separate waste into recyclables, compost and landfill, the property manager of the Richmond office (a multi-tenanted building) does not currently measure the volume or weight of the three streams when they are removed from the premises. The VCGLR continues to recycle waste toner cartridges via Ricoh and 'Close the Loop', ensuring that no office printing product waste ends up in landfill.

Paper

The VCGLR uses 100 per cent recycled copy paper. FollowMe Printing allows users to print to a shared print queue, roam and release their print to a shared print queue, roam and release their print job from any printer. This ensures printing is confidential to the user and reduces printed waste from documents left uncollected at the printer. If a printer is out of service, users can release their print jobs from the next available printer without disrupting productivity. By reducing waste and giving users a secure, flexible printing environment, FollowMe Printing enables the VCGLR to significantly reduce costs, protect data and support workforce productivity.

Table 36 – Paper

Paper use	2015–16	2016–17
Paper used per Full Time Equivalent (FTE) (reams)	17.60 ^[1]	15.98 ^[2]
Paper used in total (reams)	3142	3150

Note:

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

[2]. The figure used in this calculation is 197.04 and represents the staffing figure at the VCGLR at 30 June 2017. It does not include Commissioners, staff on leave without pay, staff on secondment, or contractors/agency staff.

Water

The building water consumption at 12 Shelley Street Richmond is not individually metered and no usage figures are available. Water consumption at 12 Shelley Street Richmond is solely for office purposes. Environmental initiatives include waterless urinals and the harvesting of rainwater to flush toilets.

Transportation

In 2016–17 the VCGLR maintains a fleet of 10 operational vehicles and four executive vehicles. Vehicles were leased from Department of Treasury and Finance's (DTF) VicFleet and the costs are covered under the lease arrangements for each vehicle. Individual figures are not available

Table 37 – Transportation

Executive vehicles	2016–17	2015–16
Litres of petrol used	8576	4931
Litres per vehicle (average)	2144	2432

Greenhouse gas emissions

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

Environmental procurement

In 2016–17 the VCGLR purchased only 100 per cent recycled paper and operated multi-function devices that are environmentally endorsed. Energy efficient equipment is purchased wherever it is cost-effective to do so.

Additional information available upon request

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

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- 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 entity to develop community awareness of the entity 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 2016–17
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved, and
- details of all consultancies and contractors including
 - consultants/contractors engaged
 - services provided, and,
 - expenditure committed to for each engagement.

Compliance with DataVic Access Policy

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

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

Section Four

Financial Results

Financial Statements

for the financial year ended 30 June 2017

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 2017 in the following structure to provide users with the information about the VCGLR's stewardship of resources entrusted to it.

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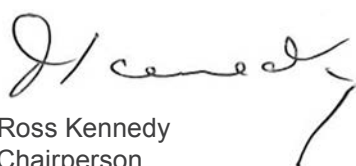
DECLARATION IN THE FINANCIAL STATEMENTS

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 Minister for Finance 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, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2017.

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 28 September 2017.



Ross Kennedy
Chairperson



Catherine Myers
Chief Executive Officer



Michael Everett
Director Corporate Services & Chief Finance Officer

Melbourne
28 September 2017



Independent Auditor's Report

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

Opinion	<p>I have audited the financial report of the Victorian Commission for Gambling and Liquor Regulation (the authority) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2017• comprehensive operating statement for the year then ended• cash flow statement for the year then ended• statement of changes in equity for the year then ended• notes to the financial statements, including a summary of significant accounting policies• declaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2017 and their 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>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described 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 authority 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 Australia. 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>
Commissioners' responsibilities for the financial report	<p>The Commissioners of the authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, 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.</p> <p>In preparing the financial report, the Commissioners are responsible for assessing the authority's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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 authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners
- conclude on the appropriateness of the Commissioners' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the commission to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MELBOURNE
2 October 2017


Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive operating statement for the financial year ended 30 June 2017

	Notes	2017 \$	2016 \$
Income from transactions			
Grants	2.2	36,493,978	32,828,773
Repayment of grants	2.3	(897,924)	(788,800)
Total income from transactions		35,596,054	32,039,973
Expenses from transactions			
Employee expenses	3.1.1	(24,229,157)	(21,141,001)
Depreciation and amortisation expense	5.1.1	(1,970,828)	(1,636,872)
Other operating expenses	3.2	(10,348,317)	(9,995,420)
Total expenses from transactions		(36,548,302)	(32,773,293)
Net result from transactions (net operating balance)		(952,247)	(733,321)
Other economic flows included in net result			
Other gains/(losses) on non-financial assets ⁽ⁱ⁾	9.2	(68,244)	(156,474)
Other gains/(losses) from other economic flows ⁽ⁱⁱ⁾	9.2	365,808	(264,651)
Total other economic flows included in net result		297,564	(421,125)
Net result		(654,684)	(1,154,445)
Comprehensive result		(654,684)	(1,154,445)

The accompanying notes form part of these financial statements.

Notes:

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

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

Balance sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Financial assets			
Cash and cash equivalents	7.3	683,915	1,502,491
Receivables	6.1	8,209,483	6,592,800
Total financial assets		8,893,398	8,095,291
Non-financial assets			
Leasehold improvements, plant, equipment and vehicles	5.1	3,618,550	4,171,605
Intangible assets	5.2	5,862,773	5,256,623
Other non-financial assets	6.3	440,970	588,493
Total non-financial assets		9,922,293	10,016,721
Total assets		18,815,691	18,112,012
Liabilities			
Payables	6.2	2,113,930	1,331,789
Borrowings	7.1	291,434	77,125
Provisions	3.1.2	6,482,241	6,120,328
Total liabilities		8,887,605	7,529,242
Net assets		9,928,086	10,582,770
Equity			
Accumulated surplus/(deficit)		2,032,524	2,687,208
Contributed capital		7,895,562	7,895,562
Net worth		9,928,086	10,582,770

The accompanying notes form part of these financial statements.

Cash flow statement for the financial year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts			
Receipts from Government		33,979,371	31,101,451
Goods and services tax recovered from the ATO ⁽ⁱ⁾		1,032,071	1,087,140
Total receipts		35,011,442	32,188,591
Payments			
Payments to suppliers and employees		(33,952,159)	(32,308,280)
Total payments		(33,952,159)	(32,308,280)
Net cash flows from/(used in) operating activities	7.3.1	1,059,283	(119,689)
Cash flows from investing activities			
Purchases of non-financial assets		(1,819,326)	(1,458,228)
Net cash flows from/(used in) investing activities		(1,819,326)	(1,458,228)
Cash flows from financing activities			
Repayment of finance leases		(58,533)	(6,029)
Net cash flows from/(used in) financing activities		(58,533)	(6,029)
Net increase/(decrease) in cash and cash equivalents		(818,576)	(1,583,946)
Cash and cash equivalents at the beginning of the year		1,502,491	3,086,437
Cash and cash equivalents at the end of the year	7.3	683,915	1,502,491

The accompanying notes form part of these financial statements.

Note:

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

Statement of changes in equity for the financial year ended 30 June 2017

	Accumulated Surplus \$	Contributed Capital \$	Total \$
Balance at 1 July 2015	3,841,653	7,895,562	11,737,215
Net result for the year	(1,154,445)	0	(1,154,445)
Balance at 30 June 2016	2,687,208	7,895,562	10,582,770
Net result for the year	(654,684)	0	(654,684)
Balance at 30 June 2017	2,032,524	7,895,562	9,928,086

The accompanying notes form part of these financial statements.

1. ABOUT THIS REPORT

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

Its principal address is:

Level 3, 12 Shelley Street
Richmond, Victoria 3121

Basis of preparation

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

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

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

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.

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

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 Regulation to be applied for the purposes of delivering outputs associated with the regulation of gambling and liquor industries in Victoria to ensure the ongoing integrity and probity of these industries.

2.1 Summary of income that funds the delivery of our services

	Notes	2017 \$	2016 \$
Grants	2.2	36,493,978	32,828,773
Repayment of grants ⁽ⁱ⁾	2.3	(897,924)	(788,800)
Total income from transactions		35,596,054	32,039,973

Note:

(i) During 2016-17, the VCGLR returned LaGIS trust account balance of \$0.898 million to the Department of Justice and Regulation. The LaGIS trust funds were specifically allocated to meet the development costs of the LaGIS project and the VCGLR had no discretion to apply this balance to any alternate purpose. The VCGLR received a total of \$3.041 million in 2014-15.

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

2.2 Grants

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

Annotated income agreements

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

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

Summary of compliance with grant funding

The following table discloses the details of the Grant revenue and Capital contribution received by the VCGLR for the year.

	Grant funding advice \$	Funding available \$	Funding applied \$
2017			
Grant revenue - provision for outputs	36,493,978	36,493,978	36,493,978
Total funding	36,493,978	36,493,978	36,493,978
2016			
Grant revenue - provision for outputs	32,828,773	32,828,773	32,828,773
Total funding	32,828,773	32,828,773	32,828,773

2.3 Repayment of grants

	2017 \$	2016 \$
Specific purpose grants - LaGIS Trust	(897,924)	(788,800)
Total repayment of grants	(897,924)	(788,800)

Specific purpose grants - LaGIS Trust

Specific purpose grants arise from transaction in which grants are paid for a particular purpose and/or have conditions attached regarding their use. In 2014-15, the VCGLR received \$3.041 million for LaGIS project into the LaGIS trust account. The VCGLR returned \$0.789 million and \$0.898 million to the Department of Justice and Regulation to meet outsourced project management cost in 2015-16 and 2016-17 respectively. The LaGIS trust funds were specifically allocated to meet the development costs of the LaGIS project. The VCGLR had no discretion to apply this balance to any alternate purpose.

The income related to LaGIS project specific purpose grants is recognised when the amount appropriated for that purpose is due and payable by the VCGLR.

3. COST OF DELIVERING SERVICES

Introduction

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

3.1 Expenses incurred in delivery of services

	Notes	2017 \$	2016 \$
Employee expenses	3.1.1	24,229,157	21,141,001
Other operating expenses	3.2	10,348,317	9,995,420
Total expenses incurred in delivery of services		34,577,474	31,136,421

3.1.1 Employee benefits in the comprehensive operating statement

	2017 \$	2016 \$
Employee expenses		
Salaries and wages, annual leave and long service leave	20,953,256	18,275,735
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	1,073,520	1,160,285
Superannuation	2,168,271	1,537,232
Termination benefits	34,110	167,749
Total employee expenses	24,229,157	21,141,001

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

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

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

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

3.1.2 Employee benefits in the balance sheet

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

	2017 \$	2016 \$
Current provisions		
Employee benefits – annual leave⁽ⁱ⁾		
Unconditional and expected to settle within 12 months	1,506,463	1,294,768
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	216,714	176,921
Employee benefits – long service leave⁽ⁱ⁾		
Unconditional and expected to settle within 12 months	207,359	186,271
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	2,956,834	2,923,989
Provisions relating to employee benefit on-costs		
Unconditional and expected to settle within 12 months	236,090	226,001
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	505,496	506,346
Total current provisions	5,628,956	5,314,296
Non-current provisions		
Employee benefits - annual leave and long service leave ⁽ⁱ⁾	735,414	692,435
Employee benefit on-costs	117,871	113,597
Total non-current provisions	853,285	806,032
Total provisions	6,482,241	6,120,328

Notes:

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

(ii) Amounts are measured at present values.

Reconciliation of movement in on-cost provision

	2017 \$	2016 \$
Opening balance	845,944	765,947
Additional provisions recognised	269,986	317,730
Reductions arising from payments/other sacrifices of future economic benefits	(256,473)	(237,733)
Closing balance	859,457	845,944
Current	741,586	732,347
Non-current	117,871	113,597
Total employee benefits related on-costs	859,457	845,944

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 benefit 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 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 Statement of Comprehensive Income as it is taken.

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

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

The components of this current LSL liability are measured at:

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

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

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

3.1.3 Superannuation contributions

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

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

	Paid contribution for year end		Contribution outstanding at year end	
	2017 \$	2016 \$	2017 \$	2016 \$
Defined benefit plans⁽ⁱ⁾:				
Emergency Services and State Super	138,738	133,205	4,186	1,340
Defined contribution plans:				
VicSuper	1,028,063	957,479	17,503	4,971
Various other	556,094	437,334	423,687	2,903
Total	1,722,895	1,528,018	445,377	9,214

Note:

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

3.2 Other operating expenses

	2017 \$	2016 \$
Supplies and services		
IT Licence and maintenance	2,088,539	1,934,070
Professional services	3,680,726	3,598,638
Occupancy costs	2,884,401	2,677,839
Postage and advertising	170,600	174,752
Printing, stationery and office requisites	359,034	401,216
Training and development	131,263	146,358
Motor vehicle running costs	333,877	474,021
Telephone and other communication expenses	109,522	126,073
Travel and related expenses	75,004	75,958
Other	515,351	386,495
Total other operating expenses	10,348,317	9,995,420

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include operating lease costs and bad debts expense.

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

4. FINANCIAL INFORMATION

ADMINISTERED ITEMS

4.1 Administered items

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

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

Collection of revenue on behalf of Government

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

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

Licence revenue

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

Public lottery

On 31 October 2007, an amount of \$13.3 million was received for the Category 1 Public Lottery Licence. This is to be recognised over 10 years of which \$1.33 million is recognised as unearned income as at 30 June 2017 (2016: \$2.66 million).

On 25 September 2008, \$980,000 was received for Category 1 Public Lottery amendment which included Monday and Wednesday lotto and is to be recognised over 10 years of which \$98,000 is recognised as unearned income as at 30 June 2017 (2016: \$196,000).

Tatts Group Limited (Tatts) has been awarded Victoria's public lottery licence for the next 10 years. Under the terms of the new agreement, Tatts will make a \$120 million premium payment to the Victorian Government when the licence commences on 1 July 2018.

Keno

The \$60 million from Keno licences received on 19 April 2011 is to be recognised over 10 years. The licence became operational on 15 April 2012, of which \$29 million is recognised as unearned income as at 30 June 2017 (2016: \$35 million).

Wagering and betting licences

An amount of \$410 million which was received on 19 January 2012 for Wagering and Betting licences is to be recognised over 12 years. The licence became operational on 16 August 2012 and \$242 million is recognised as unearned income as at 30 June 2017 (2016: \$276.2 million).

Electronic gaming machine licences

During the period ended 30 June 2010, amounts on behalf of Government were collected in relation to the electronic gaming machine entitlements (licences). The licences became operational 16 August 2012. The unearned income recognised is \$480 million as at 30 June 2017 (2016: \$577.6 million).

Casino licence

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

- Guaranteed payments of at least \$35 million per annum over 6 years till 30 June 2021 in respect of tax on Gross Gaming Revenue and Commission Based Players' Gaming Revenue from new gaming products.
 - Under the terms of the contract, if the actual casino tax (tax guarantee) from new gaming product referable to any financial year during the guarantee period is less than the guaranteed sum, Crown will pay the difference to the State. During the period ended 30 June 2017, the casino tax payments from the new gaming products exceeded the \$35 million tax guarantee, resulting in no additional tax payment received by the State.
 - The contingent payment linked to the \$35 million minimum tax guarantee, should the increase in taxation not be achieved in the period, has been included in the calculation of the annual licence revenue.
- The following additional amounts on 1 September 2022:
 - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.0 per cent, then Crown will pay to the State an amount of \$100 million
 - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.7 per cent, then Crown will pay to the State, in addition to the amount above, a further amount of \$100 million
 - \$250 million on 1 July 2033.

The contingent payment linked to compound annual growth in gaming revenue exceeding 4.0 per cent has been included in the calculation of the licence revenue. Management's assessment based on projections using existing data is that its receipt is almost certain. This receivable is assessed annually for impairment by comparison of the original revenue modelling against the actual revenues over the years of the agreement.

The unearned income recognised is \$428.3 million as at 30 June 2017 (2016: \$456.5 million).

As at 30 June 2017, a total of \$1,181 million is recognised as unearned income by the VCGLR (2016: \$1,348 million).

Transactions on behalf of Government

	2017 \$'000	2016 \$'000
Income		
Amounts collected/receivable on behalf of Government		
Appropriations-Payments made on behalf of the State	27,773	28,905
Gaming Taxation	975,346	984,393
Licence Fees	504	451
Minor Gaming	20	14
Keno	11,661	10,776
Casino Taxation and Licence Fees	226,943	228,227
Racing Taxation and Licence Fees	14,288	12,098
Tattersall's Lotteries	425,807	452,218
Tabcorp Supervision Fee	1,488	1,252
Tattersall's Supervision Fee	1,123	913
Intralot Supervision Fee	0	47
Venue Operators Supervision Fees	5,300	5,231
Lottery Premium Payment	3,524	3,524
Liquor Licence and Application Fees	2,412	2,215
Gambling Venue Licence Fees	93,761	94,011
Wagering and Betting Taxation and Licence Fees	73,989	76,760
Miscellaneous	14,302	18,043
Total amount collected/receivable	1,878,241	1,919,078
Expenses		
Amounts paid/payable on behalf of Government		
Payments made to other jurisdictions	(27,773)	(28,905)
Payments to consolidated fund	(1,779,276)	(1,903,090)
Bad and doubtful debts	(499)	(288)
Total amount paid/payable	(1,807,548)	(1,932,283)
Other economic flows		
Net gain/(loss) on non-financial assets	784	5,532
Total other economic flows	784	5,532
Total amount paid/payable including economic flows	(1,806,764)	(1,926,751)
Net Result from transactions (net operating balance)	71,477	(7,673)

Transactions on behalf of Government (cont'd)

	2017 \$'000	2016 \$'000
Assets		
Current Asset		
Receivables	158,508	233,862
Total current asset	158,508	233,862
Non-Current Asset		
Receivables	239,087	259,646
Total non-current asset	239,087	259,646
Total assets	397,595	493,508
Liabilities		
Current liabilities		
Unearned income	148,854	148,661
Payables	2,310	2,607
Total current liabilities	151,164	151,268
Non-current liabilities		
Unearned income	1,032,167	1,199,452
Total non-current liabilities	1,032,167	1,199,452
Total liabilities	1,183,331	1,350,720
Net Assets	(785,736)	(857,212)
Equity	(785,736)	(857,212)

5. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The VCGLR controls infrastructure that is 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

	2017 \$	2016 \$
Leasehold improvements		
At Fair value	6,310,721	6,218,675
Less: Accumulated amortisation	(3,621,977)	(2,793,717)
	2,688,744	3,424,958
Computer and communication equipment		
At Fair value	890,157	1,210,844
Less: Accumulated depreciation	(463,801)	(665,788)
	426,356	545,056
Plant, equipment and vehicles		
At Fair value	529,823	294,721
Less: Accumulated depreciation	(158,808)	(93,130)
	371,015	201,591
Capital work in progress		
At Cost	132,436	0
	132,436	0
Total Leasehold improvements, equipment, vehicles and capital work in progress		
At Fair value	7,863,137	7,724,241
Less: Accumulated depreciation	(4,244,586)	(3,552,635)
Net carrying amount of property, plant and equipment	3,618,550	4,171,605

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

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

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

Subsequent measurement

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

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

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

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

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

5.1.1 Depreciation and impairment

Charge for the period

	2017 \$	2016 \$
Depreciation of leasehold improvements, plant, equipment and vehicles		
Computer and communication equipment	165,640	104,273
Plant, equipment & motor vehicles	17,810	26,932
Amortisation expense		
Leasehold improvements-office fit-out	828,260	821,932
Leased vehicles	60,335	6,290
Internal-use software	898,783	677,446
Total depreciation and amortisation expense	1,970,828	1,636,872

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

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

Asset Class	Useful life (in years)
Building Leasehold Improvements-office fit out	7.6
Plant, equipment and vehicles:	
• office furniture & equipment	8
• security equipment	5
• vehicles including finance leased vehicle	3
• computer and communication equipment	4

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

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

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

Impairment

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

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

5.1.2 Carrying values by 'purpose group'

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

	Leasehold improvements at fair value		Computer and communication equipment at fair value		Plant, equipment & vehicles at fair value		Capital work in progress at cost		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Opening balance	3,424,958	4,246,890	545,056	323,999	201,591	245,370	0	0	4,171,605	4,816,259
Additions	92,046	0	50,414	334,924	272,842	83,155	132,436	0	547,738	418,079
Disposals	0	0	(3,475)	(9,594)	(25,273)	(93,712)	0	0	(28,748)	(103,306)
Depreciation and amortisation expense	(828,260)	(821,932)	(165,640)	(104,273)	(78,145)	(33,222)	0	0	(1,072,045)	(959,427)
Closing balance	2,688,744	3,424,958	426,355	545,056	371,015	201,591	132,436	0	3,618,550	4,171,605

Note:

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

5.2 Intangible assets

	Intangibles		Capital work in progress		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Opening balance	3,129,924	3,359,066	2,126,700	1,504,868	5,256,624	4,863,934
Additions	0	501,472	1,544,430	621,832	1,544,430	1,123,304
Capitalisation from capital work in progress	3,295,216	0	(3,295,216)	0	0	0
Disposals	(39,497)	(53,168)	0	0	(39,497)	(53,168)
Amortisation expense ⁽ⁱ⁾	(898,784)	(677,446)	0	0	(898,784)	(677,446)
Net book value at end of financial year	5,486,859	3,129,924	375,914	2,126,700	5,862,773	5,256,624

Note:

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

Initial recognition

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

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

- (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-generated intangible assets that are capitalised include:

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

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

Subsequent measurement

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

Impairment

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

6. OTHER ASSETS AND LIABILITIES

Introduction

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

6.1 Receivables

	2017 \$	2016 \$
Current receivables		
Contractual		
Receivables	95,194	104,701
Statutory		
Amounts owing from the Department of Justice & Regulation ⁽ⁱ⁾	7,188,148	5,565,258
GST Input tax credits recoverable	72,856	116,809
Total current receivables	7,356,198	5,786,768
Non-current receivables		
Statutory		
Amounts owing from the Department of Justice & Regulation ⁽ⁱ⁾	853,285	806,032
Total non-current receivables	853,285	806,032
Total receivables	8,209,483	6,592,800

Note:

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

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

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

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

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

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

Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
	\$	\$	\$	\$	\$	\$
2017						
Receivables ⁽ⁱ⁾	95,194	83,314	0	11,880	0	0
Total	95,194	83,314	0	11,880	0	0
2016						
Receivables ⁽ⁱ⁾	104,701	16,594	75,873	12,234	0	0
Total	104,701	16,594	75,873	12,234	0	0

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

There are no material financial assets that are individually determined to be impaired. Currently the VCGLR does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

6.2 Payables

	2017	2016
	\$	\$
Contractual		
Creditors	17,740	323,698
Accrued wages and salaries	812,237	282,943
Accrued expenses	1,283,954	725,147
Total current payables	2,113,931	1,331,789
Total payables	2,113,931	1,331,789

Note:
(i) The average credit period is 30 days.

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

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

Payables consist predominantly of creditors and accruals on wages and salaries and expenses and are recognised at amortised cost. Payables represent liabilities for goods and services provided to the VCGLR prior to the end of a period that are unpaid, and arise when the VCGLR becomes obliged to make future payments in respect of the purchase of these goods and services. Payables for supplies and services have an average credit period of 30 days.

Maturity analysis of contractual payables⁽ⁱⁱ⁾

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2017						
Payables ⁽ⁱ⁾	2,113,931	2,113,931	2,113,931	0	0	0
Total	2,113,931	2,113,931	2,113,931	0	0	0
2016						
Payables ⁽ⁱ⁾	1,331,789	1,331,789	1,331,789	0	0	0
Total	1,331,789	1,331,789	1,331,789	0	0	0

Note:

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

(ii) Maturity analysis is presented using the contractual undiscounted cash flows.

6.3 Other non-financial assets

	2017 \$	2016 \$
Current other assets		
Prepayments	440,970	588,493
Total current other assets	440,970	588,493

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

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 borrowings and cash balances). Notes 8.1 and 8.3 provide additional, specific financial instrument disclosures.

7.1 Borrowings

	2017	2016
	\$	\$
Current borrowings		
Finance lease liability ⁽ⁱ⁾		
- Non-PPP related finance lease liability:		
Motor vehicles	64,787	14,808
Total current borrowings	64,787	14,808
Non-current borrowings		
Finance lease liability		
- Non-PPP related finance lease liability:		
Motor vehicles	226,647	62,317
Total non-current borrowings	226,647	62,317
Total Borrowings	291,434	77,125

Note:
(i) Secured by the assets leased. Finance leases are effectively secured, as the rights to the leased assets revert to the lessor in the event of default.

Borrowings refer to interest bearing liabilities, mainly finance leases and other interest bearing arrangements.

Borrowings 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.

The VCGLR determines the classification of its interest bearing liabilities at initial recognition.

Maturity analysis of borrowings

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2017						
Finance lease liabilities	291,434	306,194	6,108	12,217	54,974	232,894
Total	291,434	306,194	6,108	12,217	54,974	232,894
2016						
Finance lease liabilities	77,125	82,028	1,425	2,849	12,822	64,933
Total	77,125	82,028	1,425	2,849	12,822	64,933

Notes:

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

(ii) Maturity analysis is presented using the contractual undiscounted cash flows.

Interest expense

	2017 \$	2016 \$
Interest on finance leases	9,804	1,093
Total interest expense	9,804	1,093

Interest expense includes the interest component of finance leases repayments. Interest expense is recognised in the period in which it is incurred.

7.2 Leases

	Minimum future lease payments ⁽ⁱ⁾		Present value of minimum future lease payments	
	2017 \$	2016 \$	2017 \$	2016 \$
Other related finance lease liabilities payable				
Not longer than 1 year	73,299	17,096	0	0
Longer than 1 year and not longer than 5 years	232,895	64,933	0	0
Longer than 5 years	0	0		
Minimum future lease payments	306,194	82,029	0	0
Less future finance charges	(14,760)	(4,903)	0	0
Present value of minimum lease payments	291,434	77,125	0	0
Included in the financial statements as:				
Current borrowings lease liabilities (Note 7.1)			64,787	14,808
Non-current borrowing lease liabilities (Note 7.1)			226,647	62,317
			291,434	77,125

Note:

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

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

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

Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

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

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

The AASB issued the new leasing standard AASB 16 *Leases* to supersede the existing standard AASB 117 *Leases*. The new standard will be operative from reporting periods commencing 1 January 2019. The key change introduced by AASB 16 includes the recognition of most operating leases on the balance sheet.

7.3 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.

	2017 \$	2016 \$
Cash and cash equivalents	683,915	604,567
Trust funds ⁽ⁱ⁾	0	897,924
Balance as per Cash Flow Statement	683,915	1,502,491

Note:

(i) The trust funds held by VCGLR were specifically allocated to meet the development costs of the LaGIS project. The VCGLR had no discretion to apply this balance to any alternate purpose, see Note 7.4 for details.

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

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

	2017 \$	2016 \$
Net result for the period	(654,684)	(1,154,445)
Non-cash movements:		
Depreciation and amortisation of non-current assets	1,970,828	1,636,873
(Gain)/loss on sale or disposal of non-current assets	68,244	156,474
Movements in assets and liabilities		
(Increase)/decrease in receivables	(1,616,683)	(938,523)
(Increase)/decrease in other non-financial assets	147,523	(311,870)
Increase/(decrease) in payables	782,142	(169,831)
Increase/(decrease) in provisions	361,913	661,633
Net cash flows from/(used in) operating activities	1,059,283	(119,689)

7.3.2 Non-cash financing and investing activities

During the reporting period VCGLR acquired motor vehicles through a finance lease arrangement to the value of \$273k (2016: \$83k).

7.4 Trust account balances

The LaGIS trust funds are specifically allocated to meet the development costs of the LaGIS project. The VCGLR had no discretion to apply this balance to any alternate purpose.

	Opening Balance 1 July 2016 \$	Total Receipts \$	Total Payments \$	Closing Balance 30 June 2017 \$
2017				
Controlled trusts				
LaGIS trust account	897,924	0	897,924	0
	Opening Balance 1 July 2015 \$	Total Receipts \$	Total Payments \$	Closing Balance 30 June 2016 \$
2016				
Controlled trusts				
LaGIS trust account	2,159,034	0	1,261,110	897,924

Note:

(i) During 2016-17, the VCGLR returned LaGIS trust account balance of \$0.898 million to the Department of Justice and Regulation. (2016: \$0.789 million).

7.5 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.

7.5.1 Total commitments payable

	Operating Leases		Capital		Operating Commitments		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Operating, capital and lease commitments Payable⁽ⁱ⁾								
Less than one year	2,329,797	2,315,111	209,780	1,070,271	242,242	160,380	2,781,819	3,545,762
Longer than one year and not longer than five years	5,024,799	7,532,425	0	0	841,995	1,259,544	5,866,794	8,791,969
Five years or more	0	0	0	0	0	0	0	0
Total operating, capital and lease commitments	7,354,596	9,847,536	209,780	1,070,271	1,084,237	1,419,924	8,648,613	12,337,731

Note:

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

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

8. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The VCGLR is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with 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. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the VCGLR are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

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

Categories of financial instruments

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

The VCGLR recognises following assets in this category: cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

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.

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

Impairment of financial assets: At the end of each reporting period, the VCGLR assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

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

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

8.1.1 Financial instruments: Categorisation

	Contractual financial assets-loans, receivables and cash \$	Contractual financial liabilities at amortised cost \$	Total \$
2017			
Contractual financial assets			
Cash and deposits	683,915	0	683,915
Funds held in trust (controlled) ⁽ⁱ⁾	0	0	0
Receivables ⁽ⁱⁱ⁾	95,194	0	95,194
Total contractual financial assets	779,109	0	779,109
Contractual financial liabilities			
Payables ⁽ⁱⁱ⁾	0	2,113,931	2,113,931
Borrowings			
Finance lease liabilities	0	291,434	291,434
Total contractual financial liabilities	0	2,405,365	2,405,365
2016			
Contractual financial assets			
Cash and deposits	604,566	0	604,566
Funds held in trust (controlled) ⁽ⁱ⁾	897,924	0	897,924
Receivables ⁽ⁱⁱ⁾	104,701	0	104,701
Total contractual financial assets	1,607,192	0	1,607,192
Contractual financial liabilities			
Payables ⁽ⁱⁱ⁾	0	1,331,789	1,331,789
Borrowings			
Finance lease liabilities	0	77,125	77,125
Total contractual financial liabilities	0	1,408,914	1,408,914

Notes:

(i) Please refer to note 7.4 for details of LaGIS trust account.

(ii) 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 \$
2017				
Contractual financial liabilities				
Financial liabilities at amortised cost	0	9,804	0	9,804
Total contractual financial liabilities	0	9,804	0	9,804
2016				
Contractual financial liabilities				
Financial liabilities at amortised cost	0	1,093	0	1,093
Total contractual financial liabilities	0	1,093	0	1,093

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

8.1.3 Financial risk management objectives and policies

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability above are disclosed in Note 8.3 to the financial statements.

The main purpose in 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 counter party on their contractual obligations resulting in financial loss to the VCGLR. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the VCGLR's financial assets is minimal because the VCGLR only deals with financial institution 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 2016-17.

	Financial institutions (AA credit rating) \$	Government agencies (Triple A credit rating) \$	Other \$	Total \$
2017				
Contractual financial assets				
Cash and deposits	683,915	0	0	683,915
Funds held in trust (controlled)	0	0	0	0
Receivables ⁽ⁱ⁾	0	0	95,194	95,194
Total contractual financial assets	683,915	0	95,194	779,109
2016				
Contractual financial assets				
Cash and deposits	604,566	0	0	604,566
Funds held in trust (controlled)	0	897,924	0	897,924
Receivables ⁽ⁱ⁾	0	0	104,701	104,701
Total contractual financial assets	604,566	897,924	104,701	1,607,192

Note:

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

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

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

Financial instruments: Liquidity risk

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

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

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

Financial instruments: Market risk

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

Interest rate risk

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

	Weighted average effective interest rate	Carrying amount	Interest rate risk exposure		
			Fixed interest rate	Variable interest rate	Non-interest bearing
	%	\$	\$	\$	\$
2017					
Financial assets					
Cash and deposits	1.5	683,915	0	683,915	0
Funds held in trust	N/A	0	0	0	0
Receivables ⁽ⁱ⁾	N/A	95,194	0	0	95,194
Total financial assets		779,109	0	683,915	95,194
Financial liabilities					
Payables ⁽ⁱ⁾	N/A	2,113,931	0	0	2,113,931
Borrowings					
Finance lease liabilities	3.3	291,434	291,434	0	0
Total financial liabilities		2,405,365	291,434	0	2,113,931
2016					
Financial assets					
Cash and deposits	2	604,566	0	604,566	0
Funds held in trust	N/A	897,924	0	0	897,924
Receivables ⁽ⁱ⁾	N/A	104,701	0	0	104,701
Total financial assets		1,607,191	0	604,566	1,002,625
Financial liabilities					
Payables ⁽ⁱ⁾	N/A	1,331,789	0	0	1,331,789
Borrowings					
Finance lease liabilities	3.3	77,125	77,125	0	0
Total financial liabilities		1,408,914	77,125	0	1,331,789

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

8.2 Contingent assets and contingent liabilities

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

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

Contingent liabilities are:

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

	2017	2016
	\$	\$
Contingent liabilities		
Make good	80,055	0
Total contingent liabilities	80,055	0

Notes:

(i) The VCGLR's office accommodation lease terms of 10 years expires 31 August 2020. The make good liability is contingent upon the VCGLR vacating leased premises.

(ii) The VCGLR had no contingent assets for the years covered by this report.

8.3 Fair value determination

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

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

Fair value hierarchy

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

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

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

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

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

How this section is structured

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

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

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

8.3.1 Fair value determination of financial assets and liabilities

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

Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices

Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly

Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The VCGLR currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2016-17 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.

	Carrying Amount 2017 \$	Fair value 2017 \$	Carrying Amount 2016 \$	Fair value 2016 \$
Contractual financial assets				
Cash and cash equivalents	683,915	683,915	1,502,491	1,502,491
Receivables ⁽ⁱ⁾	95,194	95,194	104,701	104,701
Total contractual financial assets	779,109	779,109	1,607,192	1,607,192
Contractual financial liabilities				
Payables ⁽ⁱ⁾	2,113,931	2,113,931	1,331,789	1,331,789
Finance lease liabilities	291,434	291,434	77,125	77,125
Total contractual financial liabilities	2,405,365	2,405,365	1,408,914	1,408,914

Note:

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

8.3.2 Fair value determination: Non-financial physical assets

Fair value measurement hierarchy

	Carrying amount as at 30 June 2017 \$	Fair value measurement at end of reporting period using		
		Level 1 ⁽ⁱ⁾ \$	Level 2 ⁽ⁱ⁾ \$	Level 3 ⁽ⁱ⁾ \$
Building leasehold improvements-office fit out	2,688,744	0	0	2,688,744
Total building leasehold improvements- office fit out at fair value	2,688,744	0	0	2,688,744
Computer and communication equipment	426,355	0	0	426,355
Total computer and communication equipment at fair value	426,355	0	0	426,355
Plant, equipment and vehicles	371,015	0	0	371,015
Total plant, equipment and vehicles at fair value	371,015	0	0	371,015
	Carrying amount as at 30 June 2016 \$	Fair value measurement at end of reporting period using		
		Level 1 ⁽ⁱ⁾ \$	Level 2 ⁽ⁱ⁾ \$	Level 3 ⁽ⁱ⁾ \$
Building leasehold improvements-office fit out	3,424,958	0	0	3,424,958
Total building leasehold improvements- office fit out at fair value	3,424,958	0	0	3,424,958
Computer and communication equipment	545,056	0	0	545,056
Total computer and communication equipment at fair value	545,056	0	0	545,056
Plant, equipment and vehicles	201,591	0	0	201,591
Total plant, equipment and vehicles at fair value	201,591	0	0	201,591

Note:

(i) Classified in accordance with the fair value hierarchy.

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

There were no changes in valuation techniques throughout the period to 30 June 2017.

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

Reconciliation of Level 3 fair value movements

	Building Leasehold Improvements-office fit out \$	Computer and communication equipment \$	Plant, equipment & vehicles \$
2017			
Opening balance	3,424,958	545,056	201,591
Additions	92,046	50,414	272,842
Disposals	0	(3,475)	(25,273)
Depreciation and amortisation expense	(828,260)	(165,640)	(78,145)
Closing balance	2,688,744	426,355	371,015
	Building Leasehold Improvements-office fit out \$	Computer and communication equipment \$	Plant, equipment & vehicles \$
2016			
Opening balance	4,246,890	323,999	245,370
Additions	0	334,924	83,155
Disposals	0	(9,594)	(93,712)
Depreciation and amortisation expense	(821,932)	(104,273)	(33,222)
Closing balance	3,424,958	545,056	201,591

Description of significant unobservable inputs to Level 3 valuations

2017 and 2016	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 DJR 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"> • office furniture & equipment • security equipment • vehicles Useful life <ul style="list-style-type: none"> • office furniture & equipment • security equipment • vehicles

The significant unobservable inputs have remain unchanged from 2016. There were no changes in valuation techniques throughout the period to 30 June 2017.

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 2017 the VCGLR had not made any ex gratia payments (2016: nil).

9.2 Other economic flows included in 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 gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

	2017 \$	2016 \$
Other gains/(losses) from other economic flows		
Net gains/(loss) on non-financial assets	(68,244)	(156,474)
Net gain/(loss) arising from revaluation of annual leave and long service leave liability ⁽ⁱ⁾	365,808	(264,651)
Total other gains/(losses) from other economic flows	297,564	(421,125)

Note:

(i) Revaluation gain/(loss) due to changes in bond 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 2016 to 30 June 2017
Responsible Minister – Acting Minister for Consumer Affairs, Gaming and Liquor Regulation	
The Hon. John Eren, MP	27 July 2016 to 31 July 2016
The Hon. Martin Pakula, MP	27 September 2016 to 7 October 2016
The Hon. Liliana D’Ambrosio, MP	22 December 2016 to 9 January 2017
The Hon. Lisa Neville, MP	10 January 2017 to 17 January 2017
Commission Members:	
Dr Bruce Cohen (Chairperson)	1 July 2016 to 28 April 2017
Mr Ross Kennedy, PSM (Chairperson)	29 April 2017 to 30 June 2017
Mr Ross Kennedy, PSM (Deputy Chairperson)	1 July 2017 to 28 April 2017
Ms Helen Versey (Acting Chairperson)	16 June 2017 to 30 June 2017
Ms Helen Versey (Deputy Chairperson)	1 July 2016 to 30 June 2017
Ms Deirdre O’Donnell (Deputy Chairperson)	29 April 2017 to 30 June 2017
Ms Deirdre O’Donnell (Commissioner)	1 July 2016 to 28 April 2017
Mr Des Powell, AM (Commissioner)	1 July 2016 to 30 June 2017
Dr Dina McMillan (Commissioner)	2 November 2016 to 30 June 2017
Accountable Officer – Chief Executive Officer	
Ms Catherine Myers (Chief Executive Officer)	1 July 2016 to 30 June 2017
Mr Michael Everett (Acting Chief Executive Officer)	9 September 2016 to 13 September 2016
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	12 December 2016 to 23 December 2017
Mr Michael Everett (Acting Chief Executive Officer)	10 April 2017 to 17 April 2017

Commissioners and Accountable Officer

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

Income Band	2017 \$	2016 \$
\$10,000 - \$19,999	0	3
\$70,000 - \$79,999	1	0
\$100,000 - \$109,999	0	1
\$110,000 - \$119,999	0	1
\$120,000 - \$129,999	2	1
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	2	0
\$170,000 - \$179,999	0	1
\$260,000 - \$269,999	0	1
\$280,000 - \$289,999	1	0
Total numbers⁽ⁱ⁾	7	9
Total amount⁽ⁱ⁾	1,047,209	957,962

Note:

(i) The number and amount received or receivable by the Commissioners and Accountable Officer for 2017 and 2016 are based on FRD 21C and FRD 21B respectively.

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

Accountable Officer remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the VCGLR during the reporting period was in the range: \$280,000 – \$289,999 (2016: \$260,000 - \$269,999).

9.4 Remuneration of executives

The number of executive officers, other than minister and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides 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.

Remuneration of executive officers (including Key Management Personnel disclosed in Note 9.5)	Total remuneration
	2017 \$
Short-term employee benefits	899,770
Post-employment benefits	84,039
Other long-term benefits	18,485
Termination benefits	0
Total remuneration	1,002,294
Total number of executives⁽ⁱ⁾	5.00
Total annualised employee equivalents (AEE)⁽ⁱⁱ⁾	4.76

Note:

(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

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

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

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 and made payments to the Consolidated Fund of \$36.4 million (2016: \$32.8 million) and \$1,779.3 million (2016: \$1,903 million) respectively. The payments to the Consolidated Funds relates to collection of gambling and liquor taxation and licence fees.

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

Key Management Personnel	Position title
Mr Ross Kennedy PSM	Chairperson (29 April 2017 - 30 June 2017)
Dr Bruce Cohen	Chairperson (1 July 2016 - 28 April 2017)
Ms Helen Versey	Deputy Chairperson
Ms Deirdre O'Donnell PSM	Deputy Chairperson
Mr Des Powell AM	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 is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

Compensation of Key Management Personnel	2017
	\$
Short-term employee benefits	1,158,075
Post-employment benefits	102,900
Other long-term benefits	11,415
Termination benefits	0
Total⁽ⁱ⁾	1,272,390

Note:

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

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur 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

	2017	2016
	\$	\$
Victorian Auditor-General's Office		
Audit of the financial statements	135,000	135,000
Total remuneration of auditors	135,000	135,000

9.7 Subsequent events

The financial statements for the VCGLR are prepared for the period ended 30 June 2017. As at the date of signing, there are no events subsequent to the balance date which would have a significant impact on the financial position of the VCGLR.

9.8 Other accounting policies

Contributions by owners

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

9.9 Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises entities of their applicability and early adoption where applicable.

The VCGLR has not been early adopter of these standards.

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	<p>Amends the measurement of trade receivables and the recognition of dividends.</p> <p>Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</p> <p>Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably. 	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments:</p> <ul style="list-style-type: none"> • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and • clarifies circumstances when a contract with a customer is within the scope of AASB 15. 	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.</p> <p>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>No change for lessors.</p>
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 <i>Contributions</i> and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
- *AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- *AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

Notes:

For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

9.10 Glossary of technical terms and style conventions

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

Amortisation

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

Comprehensive result

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

Commitments

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

Depreciation

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

Employee expenses

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

Ex gratia payments

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

Financial asset

A financial asset is any asset that is:

(a) cash

(b) a contractual right

- to receive cash or another financial asset from another entity

or

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

Financial instrument

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

Financial liability

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

- to deliver cash or another financial asset to another entity

or

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

Financial statements

A complete set of financial statements comprises:

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

Grants and other transfers

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

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

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced assets in this glossary.

Interest expense

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

Interest income

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

Net result

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

Net result from transactions/net operating balance

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

Net worth

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

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes building leasehold improvements-office fit out, 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 net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Payables

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

Produced assets

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

Receivables

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

Sales of goods and services

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

Supplies and services

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

Transactions

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

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts. The notation used in the tables is as follows:

- or 0 zero, or rounded to zero

(xxx) negative numbers

20xx year period

20xx-xx year period

The financial statements and notes are presented based on the illustration for a government department in the 2016–17 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.

