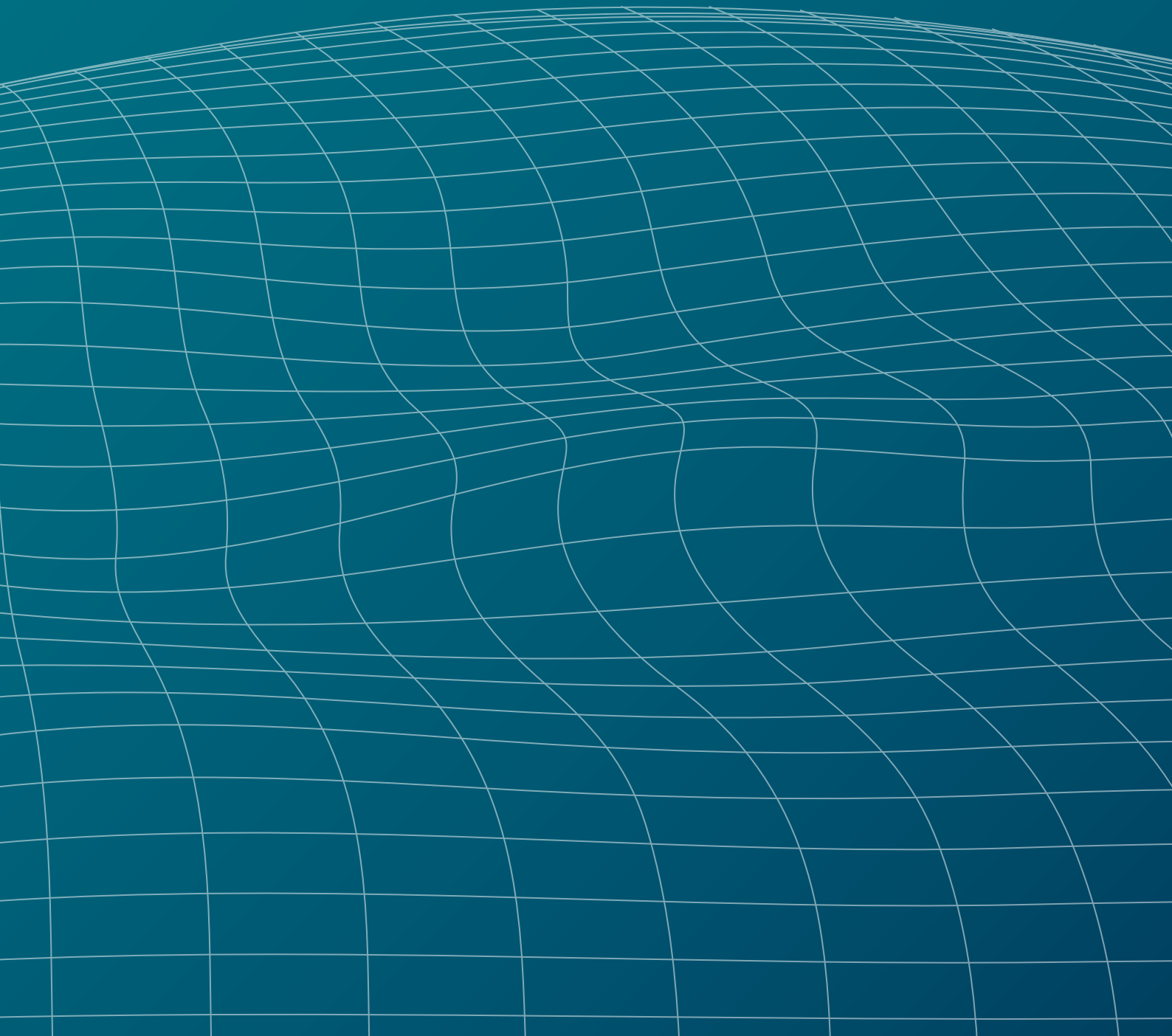




Victorian Commission for
Gambling and Liquor Regulation

ANNUAL REPORT 2017–18



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Data provided in this report is correct as of 7 September 2018.

The publication of the VCGLR Annual Report 2017–18 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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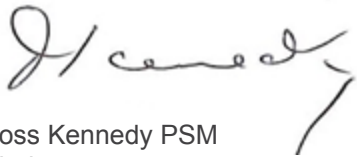
Letter to the Minister

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 2018 for you to present to Parliament. The Annual Report has been prepared in accordance with the *Financial Management Act 1994* and the *Victorian Commission for Gambling and Liquor Regulation Act 2011*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Kennedy', with a long horizontal stroke extending to the right.

Ross Kennedy PSM
Chairperson
Victorian Commission for Gambling and Liquor Regulation

7 September 2018

Message from the Chairperson and CEO



It has been a busy and productive year at the Victorian Commission for Gambling and Liquor Regulation (VCGLR). Effective collaboration, cooperation and communication across the organisation and externally have been critical to our activities this year. Guided by our vision, that Victorians and visitors can enjoy safe and responsible gambling and liquor environments, we have delivered a range of projects to improve operations whilst always continuing to build a stronger, more effective, regulatory practice.

At the start of the year we launched the VCGLR's first Corporate Plan. The three-year plan establishes a clear direction for the future by focusing on three priorities;

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

In the VCGLR's sixth year of operation, our focus has turned towards increasing our level of engagement and influence and this is reflected in the priorities

set out in the Corporate Plan. Importantly, the plan includes measures of success that we will use to evaluate how we are performing against our priorities.

In December 2017 the Minister for Consumer Affairs, Gaming and Liquor Regulation released her Statement of Expectations. Along with the Corporate Plan, this directs our activities now and into the future.

The VCGLR continues to operate in a complex regulatory environment subject to increasing community expectations, increasing risk of harm and constrained resources. The impact of the burgeoning 24-hour economy, the emergence of new liquor and gaming products as well as new ways to access these products mean we must constantly adapt our regulatory practice. The dynamic industries which we regulate are at the same time industries where there are strong views and expectations from within the community, particularly when it comes to the detection, prevention and minimisation of harm. This year we have seen heightened public interest in the Melbourne Casino and increased scrutiny on our operations in general, indicative of the reach of our regulatory actions across all of industry and the Victorian community.

The VCGLR has put in place the procedures and processes to implement significant legislative reform in response to the passage of three separate pieces of legislation. The *Gambling Regulation Amendment (Gaming Machine Arrangements) Act 2017*, the *Gambling Legislation (Amendment) Act 2017*, and the *Liquor and Gambling Legislation (Amendment) Act 2018* all were passed this year effecting a range of changes to the gambling and liquor regulatory framework. These changes are broad and range from initiatives to simplify the application process for licensees through to new limits on access to cash in gaming venues. The VCGLR is committed to ensuring these changes continue to be progressively implemented as efficiently as possible.

We have continued to focus on strengthening our regulatory approach. We have done this in part through further embedding our risk-based approach, thereby ensuring that we effectively target our resources to regulate industry in the areas of greatest

risk. This year we completed more inspections at high-risk times and venues as part of an ongoing strategy to redirect our resources towards the issues and areas we know have the capacity to cause the greatest harm. With a dedicated intelligence unit and modern resources including a new risk-assessment tool, we are better able to use an accurate and data-driven assessment of risk to inform our activities.

Our work in educating industry has been a priority in 2017–18. Education is an important way that we support businesses to remain compliant and provide them with the tools they need to meet their obligations. Working closely with stakeholders, the VCGLR has delivered campaigns specifically targeting those licensees who may face challenges in this regard. This includes new licensees, those from non-english speaking backgrounds, and those operating during popular times such as during the school leavers or ‘schoolies’ break and university orientation week. With our education activities focusing on administrative compliance, our inspectors have increased capacity to focus on areas of high-risk and harm.

The 2017 Victorian State Budget provided funding to the VCGLR to establish regional offices as well as support licensing projects. As a result this year we launched new regional hubs in Ararat and Sale. This marked a significant boost to the VCGLR’s regional capacity with small dedicated compliance teams established at each office. Regional teams bring localised knowledge and expertise to engage with stakeholders and can visit more regional venues more often. This year, the VCGLR has exceeded its target of regional inspections by more than 25 per cent, clearly illustrating the impact that local inspectors and a permanent regional presence can have. These inspections, a proportion of which were at low to medium-risk premises, provide data that can be used to further enhance our ability to target high-risk, more complex (and more time consuming) regional inspections in the future.

Strong relationships are critical to the success of any modern regulator and we have used opportunities to build stronger networks with our cross-jurisdictional colleagues, regulatory partners and stakeholders. In

November, Victoria hosted the Compliance Managers Inter-jurisdictional Conference, bringing together participants to discuss developing intelligence capabilities. Our staff have been invited to share their knowledge and expertise by presenting to audiences on a variety of topics. We have continued to formalise our co-operative working arrangements through new Memoranda of Understanding with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and others. We have also developed and signed a Joint Enforcement Strategy with Victoria Police to formalise collaboration between our agencies.

Our relationship with the Victorian Responsible Gambling Foundation (VRGF) and Office of Liquor, Gaming and Racing at the Department of Justice and Regulation continues to strengthen through collaboration and consultation with each other. One example of this is the new working group we established this year with both these entities to assist and inform the VCGLR in the new gambling product approval process.

Technology is vital to our activities and this year we continued our program of technological reform and development. We moved 17 forms online, making it easier for thousands of licensees to lodge applications. We enhanced our liquor portal by increasing its functionality so it can now be used for a variety of licence administration tasks such as updating an address and printing a licence. On our website we trialled the use of live-chat software providing visitors with another way to reach us in real time. These initiatives contribute to the government’s ongoing commitment to the reduction of red tape and are an important part of being a modern client-focused organisation. We will continue to improve, modernise and streamline our technology in the coming year.

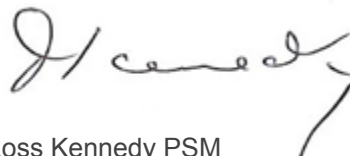
During the year the Sixth Casino Review was delivered to government. This was a comprehensive piece of work requiring a thorough examination of the Melbourne Casino’s operations as well as consideration of the casino environment more broadly. The review will inform our approach to Casino supervision going forward.

Internally the organisation has focused on providing a collaborative and unified environment. Our focus on collaboration has seen divisions working together more effectively to successfully deliver targeted actions. For example, our compliance and education areas have improved how they work together and share data to better target low-risk venues to prevent breaches before they occur. Through the continued delivery of the VCGLR's Workforce Strategy, as well as refreshed internal communication tools such as a new intranet, we aim to ensure our workplace is one where all staff are included, informed, and engaged. The delivery of workforce behaviour training to all staff this year further ensured that the standards and expectations of behaviour for all staff are clear.

There has been a significant amount of work undertaken to support the long-term sustainability of the organisation in a fiscally constrained operating environment. These constraints require the organisation to make decisions in allocating resources across competing priorities. This continues to be a challenging area and the VCGLR appreciates the support of central agencies and its portfolio department in working towards more sustainable funding arrangements.

At the end of this year the term of Commissioner Des Powell came to an end, and while he has been appointed as a sessional Commissioner with the organisation, his 'board director' responsibilities have ceased. Des's service to the VCGLR over the last seven years has been invaluable, and we take this opportunity to recognise his expertise and commitment and we thank him for his contribution. We are also pleased to note that Deputy Chair Helen Versey's term has been extended for a further three years, and are grateful for the skills and knowledge she will continue to bring to the Commission.

The activities highlighted in this report provide a snapshot of just some of the ways we are working to ensure the best outcomes for both the community and industry. While we still have many challenges ahead, we have a clearly defined strategy and a talented executive team supported by staff committed to their regulatory craft. We would like to take this opportunity to thank all our Commissioners, Executive and staff for their hard work and dedication in supporting responsible gambling and liquor industries for all Victorians.



Ross Kennedy PSM
Chairperson



Catherine Myers
Chief Executive Officer

About us

About Us

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 all relevant legislation and regulations. This includes informing and educating both industry and the Victorian public about regulatory practices and requirements.

The VCGLR oversees approximately 22,500 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 500 individual gaming venues and a single Casino operator. It assesses and determines more than 6000 gambling activities annually, such as gaming industry employees, casino special employees and venue operator licences as well as overseeing bookmakers, community and charitable gaming applications and regulates public lotteries.

As an independent statutory authority, the VCGLR's obligations are set out in several Acts of Parliament including the *Victorian Commission for Gambling and Liquor Regulation Act 2011*.

The VCGLR regulates:

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

The Governor-in-Council, on the recommendation of the Minister for Consumer Affairs, Gaming and Liquor Regulation, appoints Commissioners to act as the VCGLR's statutory officers. Commissioners are accountable for statutory decision-making and are 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 deliberative vote and also a casting vote on matters where there are equal votes. The Chairperson is also the public service body head for the purposes of the *Public Administration Act 2004* with respect to employment matters. In conjunction with the Chief Executive Officer (CEO), the Chairperson and other Commissioners determine and oversee arrangements for the internal governance of the VCGLR to ensure clear lines of accountability and reporting, a consistent approach to decision-making, disciplined performance and ethical, transparent relationships with stakeholders. The Commission operates three governance committees relating to audit and risk management, people and culture and legislation, regulation and policy.

Our Commissioners and CEO



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

Helen Versey, Deputy Chairperson

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

She holds a combined honours degree in law and sociology from Exeter University (United Kingdom).

Ms Versey worked in private practice as a litigation lawyer and advocate prior to joining the Western Australia Equal Opportunity Commission. She was a member of the Commission's Corporate Executive and acted as Commissioner during the substantive Commissioner's periods of absence. Ms Versey served as the Victorian Privacy Commissioner from 2006 to 2012.

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.



Dr Dina McMillan, Commissioner

Dr McMillan is a social psychologist and author with a PhD from Stanford University and an extensive background in research and community service. For 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.



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. From 28 June 2018 Mr Powell became a sessional Commissioner of the VCGLR.

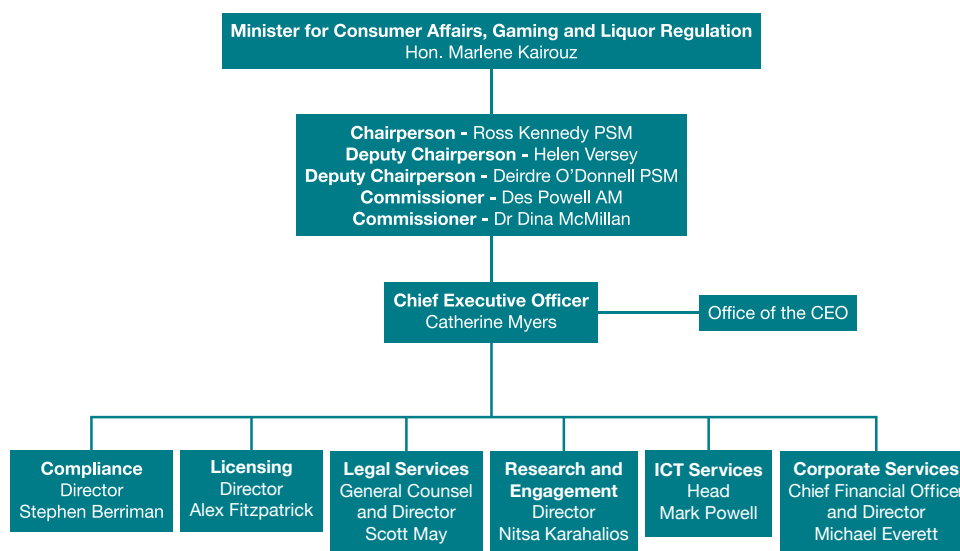
Catherine Myers, Chief Executive Officer

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



Our organisation

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 builds and maintains key strategic relationships with the VCGLR's portfolio department and the Department of Justice and Regulation (the department), along with other government agencies, industry and community stakeholders. It leads the provision of information and advice to the Minister and the department and manages strategic issues as they arise. It ensures 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.

Corporate Services

The Corporate Services Division comprises Finance, Business Services and People and Culture.

Finance responsibilities include ensuring accurate, transparent, timely management of and reporting on the financial performance and associated transactions of the VCGLR as well as the collection of licence and taxation revenue with a total administered revenue of in excess of \$1.8 billion per annum.

Business Services leads procurement for the organisation and is responsible for delivery of general support services such as building and facilities management, document management and office administration.

People and Culture functions include the provision of advice on staff development, change management, related governance requirements, industrial and employee relations, payroll, workforce planning, capability development, organisational culture and occupational health and safety.

Corporate Services also supports the Commission's People and Culture Committee, advising and assisting the Chairperson in relation to their role as the public-sector body head and ensuring that policies and procedures are developed and implemented appropriately.

Research and Engagement

The Research and Engagement Division delivers regulatory strategy, communication, client services and education functions. The division stays up-to-date with contemporary regulatory thinking, and collaborates internally and externally with government,

regulators and researchers, to improve our regulatory practice and to better inform policy work.

The division is responsible for many of the public-facing aspects of the organisation including responding to initial enquiries from the public and industry through face-to-face, phone and email contact. Communication responsibilities include external communication with licensees, media and the community as well as driving digital initiatives and delivering internal communication for staff. The education area 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 both industry and community-related events.

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

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

The division is responsible for the management and oversight of Victoria's major gambling licences. This is carried out through the development of relationships with major licensees and key industry stakeholders, monitoring performance and compliance with licences and through identifying and managing risks to achieve positive regulatory outcomes.

Compliance

The Compliance Division is responsible for inspecting, educating, monitoring, and enforcing compliance with Victoria's gambling and liquor legislation. Using a risk-based and intelligence led approach, compliance identifies and deals with risks in the gambling and liquor industries. This targeted approach is designed to ensure entities are appropriately regulated according to the level of risk they pose to the community and that the focus is on identified high harm risks.

Inspectors visit licensed premises across the state to check that individuals working in these areas understand and comply with their legislative obligations. System audits are also performed on major licensees to determine whether approved procedures and controls are in place.

The Compliance Division works collaboratively to achieve effective results. Information from co-regulators, partner agencies and other stakeholders assists in building a collective picture of risks and harms across the gambling and liquor sectors. Partners include Victoria Police, VicRoads, the Environment 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 others.

Legal Services

The Legal Services Division provides legal, regulatory and policy services to the organisation. The division advises the Commission on legal matters and prosecutes offences on behalf of the Commission. Legal Services staff represent the Commission in appellate and review proceedings and act as Counsel Assisting in Commission inquiries. The division supports implementation of Victorian Government policy and assists other divisions to operationalise regulatory reforms. It also ensures the efficient processing of Commission business by providing registry and secretariat services.

Legal Services manages the Commission's governance obligations and is responsible for ensuring compliance with legislative requirements governing such areas as freedom of information, privacy, protected disclosures and provisions of the Public Administration Act. The Director, Legal Services and General Counsel is 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 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.

ICT Services

ICT underpins and supports the VCGLR's capabilities through efficiently and effectively managing and maintaining business and corporate applications.

Day-to-day service delivery focuses on effective management of the ICT network, provision of the service desk and end user support, infrastructure and application delivery, and provision of cyber security.

Through long term planning, ICT also implements improvements to the functionality and capability of the VCGLR's corporate infrastructure. ICT delivers these programs of work including improved capabilities such as online and mobile services, modernising infrastructure, enhancing business intelligence and data quality improvements.

These initiatives continue to enable the VCGLR to implement new technologies, improving the way the VCGLR does business.

Corporate Plan

The VCGLR's Corporate Plan 2017–20 was launched in July 2017. This three year plan, the first for the organisation, establishes a roadmap for the future, building on the work of the VCGLR to date and establishing a clear direction going forward.

The plan outlines the VCGLR's vision for Victorians and visitors to enjoy safe and responsible gambling and liquor environments and explains how this will be achieved through focus on three key priorities: modernising regulatory tools and processes, providing a collaborative and unified environment, and, increasing strategic influence to achieve outcomes. The priorities set out in the Plan will be achieved by the specific activities which are outlined in the VCGLR's annual Business and Divisional Plans.

In addition, the Plan provides a framework against which the VCGLR's activities can be measured to ensure consistency with the long-term direction of the organisation. While the targets in the Corporate Plan are intended to be achieved over a three-year period, Appendix 7 sets out detailed information on the VCGLR's performance to date.

Our 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 (the Act) establishes values to guide conduct and performance in the Victorian Public Sector. The VCGLR's four values, which are aligned with the values in the Act, underpin the regulator's interactions and guide the organisation to achieve its vision and purpose.

- **Work together**
The VCGLR values working together, encouraging and supporting each other. Keeping people informed we consult to achieve shared goals. Our 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, seek different perspectives and approaches, and value work/life balance. The VCGLR fosters an environment where people give and receive feedback constructively and consider the ideas and contributions of others.
- **Act with integrity**
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, and embracing personal and professional development.
- **Make it happen**
VCGLR staff are committed to thinking and planning ahead, focusing on agreed priorities, delivering on commitments, meeting agreed time-lines, being responsive and flexible, and striving for excellence.

Our 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. This acknowledges that more effective outcomes can be achieved if different regulatory tools are used in combination.

The regulatory approach is based on five overarching principles:

- Risk-based - using risk to guide activities and the use of resources, aiming for consistency.
- Proactive - making independent decisions, identifying emerging issues and responding before the community suffers from significant harm.
- Collaborative - working collaboratively with regulatory partners, the gambling and liquor industries and the community.
- Transparent - being open about how we regulate.
- Targeted - choosing 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.

Report of operations

A year in review 2017–18

July

'Street Talk' takes place at Northcote in inner-city Melbourne

Memorandum of Understanding signed with Victorian Responsible Gambling Foundation

Implementation of Compliance Risk Prioritisation Tool to assist in targeting high harms

September

Commencement of first Investigations Training Program

October

The VCGLR's education team begins the school leaver campaign targeting venues popular during the school leavers period

VCGLR hosts the Compliance Managers' Inter-Jurisdictional Regulators Conference for Australian and New Zealand co-regulators

Three 'Approval of Associated Individual' forms moved online

Gambling Regulation Amendment (Gaming Machine Arrangements) Act 2017 passes Parliament

E-notification implemented providing automatic notification to Victoria Police of temporary liquor licences in their areas

Launch of the new VCGLR Intranet

Pilot of live chat capability on the VCGLR website begins

December

January

10-week education campaign begins with visits venues popular during university orientation weeks

New regional inspectors start training

Gambling Legislation (Amendment) Act 2017 passes Parliament

Three 'Approval of Nominee' application forms move online

Digital keypass approved as acceptable form of identification

March

VCGLR's new regional hubs in Ararat and Sale are launched

'Street Talk' conducted targeting licensees in regional areas and those from non-english speaking backgrounds

Fine of \$300,000 imposed against Crown as part of disciplinary action relating to the use of button blanking plates on electronic gaming machines at the Casino without the approval of the Commission

Introduction of process of automatic validation of Australian Company Number against Australian Securities and Investment Commission records for temporary limited liquor licence applications

Sixth Casino Review provided to the Minister for Consumer Affairs, Gaming and Liquor Regulation

Wi-Fi and video conferencing capability introduced at the VCGLR's Richmond, Ararat and Sale offices

Eight 'Gaming Approval' forms moved online

Completion of the inquiry review project including establishing and publishing new practice notes and information sheets detailing Commission inquiries processes

Liquor and Gambling Legislation (Amendment) Act 2018 passes Parliament

April

June

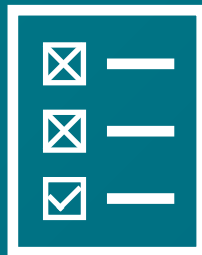
2017–18 Snapshot



There were
22,596
active permanent liquor licences,
a **3%**
increase over 2016–17



17
more of the VCGLR's forms
were transferred online



88%
of breaches identified
resulted in enforcement action
an increase from
74%
last year



16,822
liquor licence applications
were finalised,
1,102
more than last year



VCGLR translated
more than
20
documents into languages
other than english



25,619
proof of age cards
were issued which is a
24%
increase from 2016–17



VCGLR staff attended more than
100
liquor forum meetings

Modernise

Modernising our regulatory tools and processes

Dynamic educative approach

This year the VCGLR implemented a dynamic approach to its education activities in order to support key elements of the VCGLR's regulatory approach in relation to harm minimisation. The education program promotes voluntary and proactive compliance, builds and maintains effective partnerships, and seeks to shift from merely 'raising awareness' towards effecting sustained long-term behavioural change. Working closely with the Compliance Division, the Education team focuses on routine compliance, freeing the resources of Inspectors to target areas of high-risk and high harm.

Direct engagement

Each year the VCGLR runs a number of education campaigns. Between three and twelve months in duration, these campaigns utilise a range of tools to target specific audiences and topics. In 2017–18 the education team ran campaigns in:

- **'Schoolies Week'** – contacting more than three hundred venues around seaside towns across Victoria to tackle underage drinking.
- **'Orientation Week'** – targeting over sixty venues around universities at the beginning of the academic year to tackle excessive drinking and amenity issues.
- **'Street Talk'** – involving targeted contact with multiple venues in a single business district at a time to ensure general compliance with licence obligations.

The VCGLR has developed a range of content and tools to connect with licensees. In addition to printed material, this year the VCGLR developed quizzes, audio Q&A sessions, self-audit checklists and materials in a range of languages including Chinese and Vietnamese. The VCGLR also works with partners and service providers to develop best practice guidelines to assist licensees to meet and exceed their legal obligations with respect to the responsible service of alcohol and gaming.

Improved risk assessment

The VCGLR has introduced a number of tools and processes to improve how we assess and incorporate risk into operations.

A risk-based framework for the assessment and determination of liquor licence applications was finalised this year and is currently being implemented. The framework is designed to increase consistency in how the VCGLR identifies, assesses and treats risks when considering and determining applications. A risk-based framework for gambling related licence applications is currently under development for implementation.

HiVE, a new digital risk tool, has been specifically developed to identify risks related to venue, time and location. The HiVE tool collects information about individual licences, premises or events, as well as patterns of non-compliant behaviour and geographical information and information from other regulators. With this data, the tool uses an algorithm to give a risk or priority rating for venues across Victoria. HiVE currently captures liquor-related data and gambling data will be incorporated into the tool next year. The tool has become an essential way for the VCGLR to assess risk based on data and allocate resources accordingly. Its potential applications have generated interest from other regulators within Victoria and in other jurisdictions.

A new Tasking and Coordination Committee has been established to ensure compliance resources are targeted at the areas of greatest risks. The Committee determines the focus of larger and joint operations as well as identifying thematic risks and developing strategies to address these. It comprises senior management representatives from the Compliance Division and uses the HiVE tool and other information and intelligence to inform its decisions.

New online forms

The VCGLR continues to move more application forms online, a critical element of the VCGLR's ongoing drive to reduce red tape for businesses. This year 17 new online forms were launched which:

- allow for the immediate lodgement of an application

- provide intuitive questions based on the applicant's responses
- enable an application to be saved and returned to at a later date
- allow related parties to be advised of any changes
- reduce the risk of manual data processing errors
- provide immediate email acknowledgement of a lodged application.

As part of this initiative all high-volume gaming applications, which total approximately 4000 applications a year, are now available online. This includes gaming industry employee applications which can now be completed entirely online.

Technology to simplify licensing processes

As part of ongoing efforts to reduce red tape by simplifying and automating processes, the VCGLR has extended its e-notification system. The system was originally launched in June 2017 to provide an automatic notification to local councils on a fortnightly basis of temporary limited liquor licences and major event licences (for events likely to attract more than 5000 patrons) in their areas. In December 2017, this system was expanded to include notifications to Victoria Police.

This year, enhancements to the VCGLR's Liquor Portal mean that licensees can now use the portal to access business-critical documents such as a copy of their licence, red-line plan and annual renewal notice.

Licence condition review

The Statement of Expectations from the Minister for Consumer Affairs, Gaming and Liquor Regulation in June 2016 prioritised a review of the standard conditions for liquor licences to determine if they are modern, effective, and appropriate to minimise harm.

This financial year the VCGLR focused on reviewing current standard conditions on late night licences (that is, licences permitting the supply of liquor after 1am). The intended outcome of the VCGLR's review was to develop new standard conditions and to vary existing licences with these conditions. However given the government's review of the Liquor Control Reform Act which is currently in progress (and commenced after the licence condition review) the VCGLR has paused the implementation to vary existing licences with new standard conditions.

Case studies

Training to enhance capabilities

In 2017–18 all operational inspectors completed the Inspector Training Program which covers all of the requirements, roles and expectations of an inspector at the VCGLR. Delivery of this program ensures staff are supported and trained to achieve the expected standard of professionalism and expertise as well as setting expectations for all new inspectors in the future. This year the VCGLR also introduced two specialist inspector training programs; a new Investigations Training Program for all inspectors, and, a Leadership Development Program for those with identified management skills or potential.

Integrated technology

This year the Liquor and Gambling Information System (LaGIS) has become the main document and records management system for recording inspection, investigation and operational data. The system now incorporates specific checklists for both gambling and liquor inspections providing increased consistency across inspections and ensuring the relevant licence conditions and requirements are checked. The database has inbuilt data integrity measures which can be used to check the accuracy of data and identify any inconsistencies.

Livechat

In December 2017 the VCGLR began a trial of live chat technology on select pages of the website, providing visitors with another channel to find answers to their questions in real time. The trial concluded in June 2018 and will be evaluated through consideration of data analytics and an analysis of the questions visitors raised via this medium to determine whether this is a worthwhile channel to provide information to stakeholders.

Online videos

The VCGLR launched a series of animated videos on its website that explain the different types of liquor licences that are required to sell or supply alcohol in Victoria. The topics for the videos were based on the most common queries to the VCGLR such as 'What type of licence do I need?'

Collaborate

Providing a collaborative and unified environment

Workforce strategy

The VCGLR's Workforce Strategy 2015–18 was designed to achieve three key strategic objectives: develop leadership, build capability and shape a positive culture. Among the initiatives implemented as part of the strategy were an enhanced Personal Development Plan (PDP), a formal succession planning framework, the Certificate IV in Investigations for Liquor and Gaming Inspectors, Family Violence Awareness Training and Workplace Behaviours Training.

Workplace Behaviour training

This year the VCGLR worked collaboratively with the Victorian Equal Opportunity and Human Rights Commission to develop and roll out Workplace Behaviour Training across the organisation. Following the People Matter Survey results which showed this was a development area for the organisation, Commissioners, executives, managers and staff were trained in their obligations and responsibilities relating to appropriate workplace behaviours. The training sessions focused on a zero tolerance approach to bullying as well as information on how to prevent and respond to inappropriate behaviour in the workplace. It was designed to provide staff with a clear understanding of their rights and responsibilities under the organisation's policies and relevant laws.

Improved internal communication

In keeping with the priority to foster a collaborative and unified environment, this year the VCGLR strengthened its internal communication functions. The launch of a new intranet in December improved staff access to information about the business. With features such as an interactive staff directory and video hosting capacity, the intranet provides a vital information-sharing tool for VCGLR staff in a dynamic and modern format. Holding more all-staff events such as meetings, information sessions and fundraising activities has provided staff with outlets to meet, collaborate and network beyond their own teams.

Influence

Increasing strategic influence to achieve outcomes

Consultation to support new product assessments

To further strengthen how responsible gambling is considered in the assessment and approval of new and complex gambling products, the VCGLR formed a working group with the Victorian Responsible Gambling Foundation (VRGF) and the Office of Liquor Gaming and Racing (OLGR). The group helps inform complex gambling product assessments by providing operational expertise, gambling research and policy knowledge. The VCGLR considers this advice when determining approaches and conditions for new gambling products. The working group is also developing a Responsible Gambling Assessment Tool to ensure the considerations that are applied are consistent, informed and communicated to industry stakeholders.

Increased stakeholder engagement

As part of its dynamic educative approach, this year the VCGLR broadened engagement through building networks with new stakeholders including:

- The Asian Business Association of Whitehorse. This was part of a broader engagement strategy with Cultural and Linguistically Diverse (CALD) licensees that included the production of material in Chinese and Vietnamese languages, licensee visits accompanied by an interpreter, and a dedicated resource page on the VCGLR website.
- The African-Australian Small Business Association. The VCGLR explored opportunities to support their members in complying with legislation, as well as a pilot 'Street Talk' visit to Footscray visiting over 20 licenced venues to answer questions and provide information kits.
- New Licensees. A dedicated page on the VCGLR's website was developed and includes a calendar of key dates and obligations. New licensees who supply an email address also receive a welcome letter with links to information sheets and VCGLR contacts.

- Licensees who hold functions such as weddings, birthdays, award nights or other special events. Engagement with this group included the launch of Safe Function Guidelines and a best practice guide to support relevant venues. The guidelines were developed after consultation with major hotels, industry peak bodies and function centres and are designed to minimise harm and reduce risk to guests, staff and the public.

Strong networks

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

There are more than 85 liquor forums across Victoria, 75 of which are active and hold regular meetings. This year, VCGLR staff attended more than 100 forum meetings, 44 in metropolitan Melbourne and 58 in regional Victoria. They also provided assistance to reactivate eight forums.

The VCGLR provides support and guidance to forums by publicising meeting dates and local forum contacts, and through a monthly forum bulletin with legislative updates, news and reminders. New resources have been developed to assist forum coordinators including a forum flyer, a member sticker, and a guide to running a successful forum.

Forums may be formalised with the establishment of a Liquor Accord which is a written document that sets out specific aims, actions, objectives and strategies to address local alcohol-related problems. The accord is approved by the VCGLR and Victoria Police. There are currently 58 approved accords, seven of which were revised and re-submitted to the VCGLR for approval this year.

Community Stakeholder Forums continue to provide a positive exchange between community organisations and the VCGLR. Chaired by VCGLR Commissioners, forums are attended by community organisations invited by the CEO. They provide an opportunity for the VCGLR to learn from community stakeholders in relation to gambling and liquor matters. Held twice a year in October and May,

attendees share information about projects and initiatives, and hear from guest speakers.

Regional Hubs

In May 2018 the VCGLR opened two regional compliance hubs in Ararat and Sale. These cities were selected due to a number of factors, including their geographic location, to maximise coverage across regional Victoria.

Funded as part of the 2017 Victorian Budget, the introduction of the regional compliance hubs enables the VCGLR to better address the risks of gambling and alcohol related harms in regional areas. They will improve responsiveness to the local community and our partners, including Victoria Police. Inspectors will now be able to address risks in a timely manner and support the management and mitigation of these risks.

Each hub is staffed by a team of four, bringing local knowledge and expertise to the work of the VCGLR.

The area covered by the Sale hubs encompasses approximately 32,000 square kilometres, including Baw Baw, East and South Gippsland, Latrobe City and Wellington Shire. It covers 1020 licensed premises.

The Ararat hub covers an area of approximately 80,000 square kilometres encompassing Ararat, Ballarat, Central Goldfields, Corangamite, Glenelg, Hindmarsh, Horsham, Moyne, Northern and Southern Grampians, Pyrenees, West Wimmera and Yarriambiack. There are 1319 licensed premises in this area.

Between them, the two hubs cover over 2300 licensed venues including 70 pubs and clubs with more than 2800 gaming machines. The impact of these permanent regional hubs can already be seen with the VCGLR completing more than 2000 regional inspections this year.

Sixth Casino Review

This year the VCGLR completed the Sixth Review of the Casino Operator and Licence. The key purpose of the review under section 25 of the Casino Control Act was to investigate the casino operator's suitability

and report this to the Minister for Consumer Affairs, Gaming and Liquor Regulation, as part of our ongoing regulatory oversight of the licence. The report was delivered to the Minister on 2 July 2018.

Industry survey results

The annual industry survey of the gambling and liquor industries is used to obtain feedback on the VCGLR’s activities. The 2017–18 survey took place between May and June 2018, with interviews conducted with a mix of gambling and liquor licensees in metropolitan and regional Victoria across a range of licence categories. The 2018 survey revealed:

- more than 98 per cent of licensees were satisfied the VCGLR was delivering its key intent
- more than 96 per cent of licensees who had contacted the VCGLR were satisfied with the quality and accessibility of information provided by the VCGLR
- more than 96 per cent of licensees who had been inspected by the VCGLR were satisfied with the information provided during or after an inspection
- more than 90 per cent of licensees who had made a licensing application with the VCGLR were satisfied with the licensing application process.

Industry training

Training is a key component of the way in which the VCGLR supports voluntary compliance within industry 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 to assist those who incur demerit points. The VCGLR accredits Registered Training Organisations (RTOs) and trainers to ensure that Responsible Service of Alcohol (RSA) training is delivered to agreed high standards across Victoria.

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. This includes 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 are five NET training courses available which have been delivered to 3081 participants over the last year.

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 where it is a condition on the licence. Delivered face-to-face, the RSA program gives participants the skills

Training participant numbers 2017–18



and knowledge necessary to contribute to a safe, enjoyable environment in licensed premises. During the last year 86,817 students have completed the RSA program delivered by 130 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 ensure staff are informed of any major changes. During the past year 45,586 participants have undertaken the free online refresher course via the VCGLR website.

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. This year has seen 28 new trainers awarded with a RSA Train-the-Trainer certificate.

The **Advanced Responsible Service of Alcohol (ARSA)** is designed for licensees, managers and staff of late night venues, who often face different challenges and issues. There have been 93 participants in Advanced RSA during 2017–18. Licensees who receive a demerit point or are otherwise directed by the Commission may also be required to undergo Advanced RSA training. Launched in 2014, Advanced RSA was developed in partnership with the William Angliss Institute. Eight ARSA courses were conducted this year.

Table 1 - Training participant numbers for 2017–18

Course activity	Number of participants 2017–18 ¹
Responsible Service of Alcohol	86,817
Responsible Service of Alcohol online refresher	45,586
Train-the-Trainer program	28
New Entrant Training	2902
Clubs Seminar program	195
Advanced RSA program	93

¹. Figures are as of 2 July 2018

Case studies

Sharing Knowledge

The Compliance Managers Inter-Jurisdictional Conference was hosted by the VCGLR in November 2017. The conference brought together compliance regulators from across the country and New Zealand to consider and discuss the theme of developing intelligence capabilities. With guest speakers from federal and state jurisdictions, the conference provided an opportunity to hear about different approaches to compliance in areas such as money laundering, sports betting, match fixing and licensed venue noise and amenity complaints.

This year the VCGLR also presented to international delegations including representatives from the Aichi Prefecture Assembly and Osaka Prefectural Government. They met with VCGLR staff to learn about Victoria's approach to casino regulation.

Digital iD

The VCGLR participated in a working group to develop, trial and implement the digital version of the keypass, Digital iD. The group was led by Australia Post and also included Victoria Police, Yarra Council and the Department of Justice and Regulation. In late 2017 the Digital iD was trialled at more than 50 venues in Fitzroy and Collingwood. Participants in the trial were issued with a Digital iD to use over three months in the relevant venues. Following the trial in early 2018, the Minister for Consumer Affairs, Gaming and Liquor Regulation approved the Digital iD as an acceptable form of identification at licensed premises

Inquiry process review

As part of ongoing efforts to improve how we do business, this year the Commission completed its review of its inquiry processes, involving significant collaboration with various stakeholders who are regularly involved in these inquiries, including Victoria Police and industry. As a result, practice notes and information sheets have been developed and published on the VCGLR website which clearly set out inquiry processes to ensure that parties participating in inquiries have access to clear and concise information.

Key information

The Victorian Government's Budget Paper 3: Service Delivery (BP3), provides an overview of the goods and services funded by the Government and delivered by departments, and assesses how these support the Government's strategic priorities and objectives. The performance measures established for the VCGLR fall under the output group Industry Regulation and Support: Gambling and Liquor Regulation and Racing Industry Development. This Output Group delivers activities relating to the regulation of the gambling and liquor industries, harm minimisation, and support and development of the racing industry.

Table 2 - VCGLR BP3 outputs for 2017–18

Performance Measures	Unit of measure	2017–18 Target	2017–18 Actual	Variance
Quantity				
Liquor and gambling approvals, licence, permit applications and variations determined by VCGLR	number	46,000	54,936	19.43%
Liquor and gambling information and advice (VCGLR)	number	128,000	129,890	1.48%
Liquor and gambling inspections completed by the VCGLR - metropolitan	number	11,400	12,339	8.24%
Liquor and gambling inspections completed by the VCGLR - regional	number	1,600	2,031	26.94%
Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated	number	20	22	10%
Quality				
Liquor and gambling licensing client satisfaction (VCGLR)	per cent	80	98.5	23.13%
Timeliness				
Calls to VCGLR client services answered within 60 seconds	per cent	80	77.2	-3.5%
Liquor and gambling approvals, licence, permit applications and variations completed within set time (VCGLR)	per cent	80	94	17.5%

Commentary on performance

The VCGLR exceeded its targets for inspections to be completed in both metropolitan and regional areas. When inspection numbers are aggregated across both areas, there is a 10.54 per cent positive variance against the aggregate target of 13,000 inspections. This can be attributed to the recruitment of 15 fixed term assistant Inspectors in 2017–18, who focused effort on undertaking low to medium risk inspections which are more straightforward and less time consuming. These inspections provide additional data and intelligence, which further enhance the VCGLR's ability to target high-risk, more complex, and thus more time-consuming, inspection activities in the future.

The percentage of calls answered within 60 seconds is a significant improvement on previous years and comes close to meeting the set target. The result is indicative of the VCGLR's Client Services team transitioning from

a temporary cohort of staff to a more permanent structure. This provides increased team stability and permits more staff to gain a thorough knowledge of regulatory and licensing functions. This has resulted in a high rate of first-time resolution of enquiries and has helped to mitigate the need for follow up enquiries. In relation to the liquor and gambling approvals determined by the VCGLR, the variance can be attributed to the increase in demand for permanent licences and proof of age cards. The results relating to approvals within the set time can be attributed to improvements in forms, increased uptake of web-based applications and the streaming of applications based on risk.

Commission meetings, inquiries and hearings

In 2017–18 the Commission determined 66 matters. While this number represents a decrease when compared to 2016–17 the number of complex matters was higher this year and these require more time and resources to process. There was a decrease in committee meetings when compared to 2016–17 and this is attributed to the cessation of special meetings following the completion of special projects such as the Lotteries Evaluation Project.

Table 3 - Commission meetings, inquiries and hearings

Inquiries			
	Received	Hearings^[1]	Matters Determined^[2]
Gaming - new premises	1	2	3
Gaming - electronic gaming machine increase	11	8	9
Gaming – appeal against refusal to grant a gaming licence	2	0	1
Gaming – appeal against refusal to renew community/charitable organisation declaration	0	0	0
Gaming – appeal against self-exclusion order	3	3	7
Gaming - extension of time to complete works	5	0	4
Gaming – disciplinary action	0	0	0
Liquor – contested application	1	6	2
Liquor – internal review	60	30	36
Liquor – section 91 disciplinary action	0	3	2
Liquor – section 94 amenity inquiry	0	0	0
Liquor - application to revoke barring order	0	0	1
Major Licensee – disciplinary action	2	1	1
Total 2017–18	85	53	66
Total 2016–17	88	67	74
Single Commissioner decision under delegation			14
Meetings			
Regular			12
Special			2
Total 2017–18			14
Total 2016–17			26

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

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

The Commission also held various Committee meetings throughout the year. Chaired by a Commissioner, the operation of these Committees ensures appropriate oversight and governance of critical areas of the business. Further details of each Committee is contained in Appendix 8.

Table 4 – Commission committee meetings

Commission committee	Number of meetings
Audit and Risk Management Committee	5
People and Culture Committee	4
Legislation, Regulation and Policy Committee	4
Total	13

Legislative change

During 2017–18, the government introduced a number of legislative reforms and work is underway to implement a number of these changes. The changes result from the passage of the *Gambling Regulation Amendment (Gaming Machine Arrangements) Act 2017*, the *Gambling Legislation Amendment Act 2018*, and the *Liquor and Gambling Legislation Amendment Act 2018*.

The new provisions include:

- changes to the amount of Electronic Gaming Machine (EGM) winnings that must be paid out by cheque or via an electronic funds transfer (formerly \$1000 now \$2000)
- measures to facilitate the transfer to post-2022 gaming machine entitlement arrangements
- a total \$500 limit on EFTPOS transactions on any one card in a gaming venue in a 24-hour period
- prohibition on the promotion or operation of cheque cashing services in gaming venues
- new controls on betting on contingencies in sporting events
- conditional approval of premises and EGM increases
- payment of unpaid jackpots into the Responsible Gambling Fund
- new controls on static advertising of gambling
- a new 'Producer's Licence', to cover spirit producers, as well as wine and beer producers
- the ability of licensees to begin trading immediately following a liquor licence transfer
- changes so that demerit points and compliance risk history fees incurred against a licence do not transfer with the licence, provided the transferor is not an associate of the transferee
- the ability of patrons of premises holding a restaurant and café licence to take away any unfinished liquor ordered as part of a meal
- changes to the amenity considerations that apply to the grant, variation or relocation of a liquor licence
- prohibition of liquor advertising within 150 metres of a school
- removal of the requirement for licensees to maintain an RSA register
- the complete prohibition of supply of alcohol to minors on licensed premises
- a new requirement so that the permitted supply of alcohol in a private residence is to be made in a 'responsible manner'
- a new offence of delivery of liquor to a minor
- the issuance of harm minimisation directions to wagering service providers by the Minister.

These changes are wide ranging and will have an impact across the liquor and gaming industries as well as requiring significant changes to the VCGLR's internal systems and processes. To give effect to the legislative changes, the VCGLR has undertaken a variety of steps, including:

- establishment of a cross divisional working group to co-ordinate the changes required across each area of the business
- implementing changes to key licensing ICT systems to facilitate new gaming machine entitlements arrangements and liquor-related processes;
- communicating with licensees by e-mail, post, the VCGLR's website and industry channels to advise them of the legislative amendments including the provision of fact sheets and Frequently Asked Questions to answer queries about the legislative changes; and
- providing additional training for Compliance inspectors and Licensing delegates on the new provisions.

In addition, the *Gambling Legislation (Amendment) Act 2017* amended the *Victorian Commission for Gambling and Liquor Regulation Act 2011* and provided for:

- clarity regarding the roles and functions sessional Commissioners; and
- establishing the position of VCGLR CEO as a statutory appointment.

Measuring impact

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.

As part of ongoing activities to minimise harm, this year the VCGLR has continued to focus on targeting venues at high-risk times. The VCGLR set an internal target to see 12 per cent of liquor inspections undertaken between the hours of 10pm and 7am reflecting those times where the risk of alcohol related harm is more likely. The VCGLR exceeded this target by completing more than 13 per cent of liquor inspections at this time.

This year 88 per cent of breaches resulted in enforcement action, a significant improvement on the 2016–17 figure of 74 per cent. This dramatic improvement is attributable to a number of factors including the implementation of strict guidelines for inspectors on following up breaches, various process improvements and a more consistently trained workforce who have completed the Compliance Inspector Training Program over the past two years.

Targeted inspections of venues previously found to be in breach also continued this year as a critical way to identify licensees that may repeatedly breach their licence conditions.

Application determination times

The VCGLR aims to determine 80 per cent of gambling and liquor approvals and licence and permit applications within set times frames. In 2017–18 the VCGLR has exceeded this measure.

Table 5 - VCGLR licensing outputs for 2015–16, 2016–17, 2017–18

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

Enforcement results

The VCGLR has a range of sanctions available in instances where there are breaches of gambling and liquor legislation. Enforcement activity can range from written warnings, infringement notices, disciplinary action and, where appropriate, prosecution in court. The appropriate enforcement action is determined based on a range of factors including severity of the breach, the harm to the community and any history of non-compliance.

This year the VCGLR carried out 14 prosecutions relating to contraventions of gambling and liquor legislation. These included:

- In September 2017, Tabcorp Wagering Pty Ltd was prosecuted for three breaches of legislation relating to allowing a minor to gamble. The defendant acknowledged responsibility and a diversion plan was entered into with number of conditions. These included the requirement for Tabcorp to:

- release state-wide refresher briefing material, including a do's and don'ts list to all of its Victorian agencies (approximately 92 agencies) licensed venues (approximately 641) with respect to potential dealings with minors
- ensure "proof of age" stamps are used at major race meets and events and ensure the design of the stamps are changed every year
- distribute its 'Toolbox Talk' Program at each and every live site and race track for use at all major race meets and events.

- ensure any staff member located at a live site or race track undertakes refresher training on obligations relating to minors and compliance with the Gambling Regulation Act. Failure by any staff member to undertake such training will result in suspension from unsupervised wagering services until training is complete
 - include on its website a list of measures implemented by Tabcorp to ensure minors are neither encouraged to gamble nor allowed to do so
 - make a donation of \$1,000 to the Smith Family.
- In December 2017, The Fiddler Pub Pty Ltd was prosecuted for a breach of legislation relating to a minor on licensed premises. The defendant acknowledged responsibility for the offence and a diversion plan was entered into requiring good behaviour for six months and a donation of \$1,000 to the Royal Children's Hospital.
 - In April 2018, Bella Macchina Pty Ltd was prosecuted for a breach relating to permitting liquor to be consumed not in accordance with its licence. The defendant acknowledged responsibility for the offence. The Magistrate found the defendant guilty (without conviction), and imposed a fine of \$500.
 - In April 2018, Sheds 3, 4 and 5 Pty Ltd, was prosecuted for a breach relating to supply of liquor not in accordance with its licence. The Defendant was found guilty (without conviction) and was placed on a twelve month good behaviour bond with a condition to pay \$500 to the Court fund.
 - In June 2018, Minardi Pub Pty Ltd was prosecuted for a breach relating to a minor on a licensed premises. The Magistrate ordered that the defendant comply with a diversion plan requiring good behaviour for the period of the plan, a donation of \$2,000 to the Royal

Children's Hospital and distribution of 'Proof of Age card checklist' and in-person briefings to all crowd controllers and liquor staff.

Further to this, the VCGLR determined to take disciplinary action against Crown Melbourne Limited (Crown) in two matters this year.

- In December, the VCGLR imposed a fine of \$150,000 upon Crown relating to incidents of non-compliance with its record keeping obligations which were identified through the VCGLR's audit program. Under the Casino Control Act the casino operator is required to ensure that the approved system of internal controls is implemented. This action specifically related to Crown's failure to demonstrate adherence to its own system of internal controls on junket and premium player programs, which is a vital mechanism to mitigate the risks involved in this high-risk area of operations.
- In April, the VCGLR took action in relation to the unauthorised use of blanking plates on certain Electronic Gaming Machines. The blanking plates concealed play line options so that only minimum and maximum betting options were available. The Commission determined that the way in which Crown used blanking plates in the trial constituted a variation to the gaming machines and therefore required approval by the VCGLR. As a result, the VCGLR issued Crown with a fine of \$300,000 and a letter of censure. The letter of censure requires that Crown present to the Commission a draft of its updated compliance framework within six months and explain how the updated framework will prevent a re-occurrence of this matter.

Demerit points

Introduced in February 2012, Victoria's liquor licence demerit points system aims to improve compliance levels by encouraging responsible business practices in licensed premises. Under this system, licensees incur one demerit point for each non-compliance incident with points recorded against the licence for three years. At 30 June 2018, 71 demerit points were recorded across 54 different venues, compared with

72 demerit points across 60 different venues at 30 June 2017, and 68 demerit points across 59 venues at 30 June 2016. 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, and any such application can only be made by a new licensee once the licence has been transferred. The Commission granted one application to remove one demerit point from one licence in the last financial year. Fifteen demerit points expired for 13 licences within the reporting period.

Star rating discount

The star rating scheme was introduced in February 2012 as an incentive to reward licensees who have recorded two or more consecutive relevant periods without a non-compliance incident. Liquor licences began at a three star level at the commencement of this system and at the commencement of a new licence. Under the legislation, non-compliance incidents include unlawful supply of alcohol to underage or intoxicated persons on licensed premises. Sexually explicit entertainment licensed premises are not eligible to receive discounts under the scheme.

Under the star rating system, licensees who achieve four or five star rating receive a discount on their annual liquor licence renewal fees. In 2017–18, 79 per cent of liquor licensees with a ‘five star rating’ received a 10 per cent discount on their 2018 annual liquor licence renewal fees. A further six per cent with a ‘four star rating’ received a five per cent discount.

Twenty three licensees did not receive the discount because of non-compliance incidents.

Wholesale data reporting

Under the Liquor Control Reform Act certain Victorian liquor licensees are required 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.

This year the lodgement process was simplified. By reducing the steps required to associate a licence and providing a clearer process for licensees to register as exempt from reporting requirements, the reporting process was made more straight forward. In addition, general usability improvements were made to the reporting portal along with a new display of uploaded data to highlight any anomalies before information is submitted.

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.

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FRD 11A	Disclosure of Ex gratia Expenses	122
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	122–126
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Legislation	
<i>Building Act 1993</i>	77
<i>Carers Recognition Act 2012</i>	77
<i>Casino Control Act 1991</i>	6, 23, 32, 48, 57, 76, 93
<i>Casino (Management Agreement) Act 1993</i>	6, 93
<i>Financial Management Act 1994</i>	1, 68, 85, 92, 122
<i>Gambling Regulation Act 2003</i>	6, 32, 39, 40, 48, 56, 76, 93, 99
<i>Liquor Control Reform Act 1998</i>	6, 20, 24, 33, 53, 58, 59, 60, 62, 76, 93
<i>Parliamentary Salaries and Superannuation Act 1968</i>	126
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<i>Public Administration Act 2004</i>	6, 11, 12, 126
<i>Racing Act 1958</i>	6, 93
<i>Victorian Commission for Gambling and Liquor Regulation Act 2011</i>	1, 6, 30, 68, 92, 93,

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 in licensing decisions.

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

Table 6 – Ministerial directions issued in 2017–18

Order	Date issued
S280 – Ministerial Order under sections 3.2.4 and 3.4A.5(3A) of the Gambling Regulation Act Gaming machine caps and limits	18 August 2017
S318 – Ministerial Order under sections 3.2.4 and 3.4A.5(3A) of the Gambling Regulation Act Gaming machine caps and limits	20 September 2017
S355 – Ministerial Order under section 3.4A.20C of the Gambling Regulation Act State Offer to Purchase Gaming Machine Entitlements	20 October 2017

Table 7 – Electronic gaming machine limits imposed by Ministerial direction and regulatory requirements as at 30 June 2018 compared with 30 June 2017

	Number		Percentage (%)	
	2017	2018	2017	2018
Gaming machine entitlement limits imposed by section 3.4A.5 of Gambling Regulation Act	27,372	27,372	100	100
Allocated to venue operators	26,991	26,944	98.61	98.44
Number of gaming machines entitlements attached to an approved venue	26,528	26,520	96.92	96.89
Gaming machine entitlements inside / outside the Melbourne Statistical Division (MSD)				
Minimum outside MSD	5474	5474	19.2	20
Maximum inside MSD	21,517	21,898	78.61	80
Current outside	7846	7835	28.66	28.62
Current inside	19,390	19,399	70.84	70.87
Number of gaming machine entitlements				
Venue condition 'Hotel'	13,686	13,686	50	50
Venue condition 'Club'	13,550	13,550	49.5	49.5
Number of gaming machines entitlements attached to an approved venue				
Venue condition 'Hotel'	13,644	13,611	49.85	49.73
Venue condition 'Club'	12,884	12,909	47.07	47.16

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 (six-monthly)
- fees and penalties
- gaming machine entitlements
- gaming signage
- gaming venue operators
- information on regional caps and municipal limits on the number of permissible gaming machines available for gaming in each capped region
- interactive map of liquor licences, Keno and wagering outlets and gaming venues
- liquor licences
- liquor signage
- laws and regulations
- Ministerial directions
- RSA training course providers
- Roll of Manufacturers, Suppliers and Testers
- self-exclusion programs
- VCGLR directions and guidelines.

Appendix 4 - Gambling licensing-related activity

Employee licensing

The VCGLR issued 2577 new licences and 598 renewed licences for gaming industry employees, casino special employees and bookmaker's key employees in 2017–18. There were 31,814 active licences at 30 June 2018, compared to 32,510 at 30 June 2017.

Table 8 - Number of active gaming employee licences and registrations at 30 June 2018

Category	2013–14	2014–15	2015–16	2016–2017	2017–18
Casino special employees	3970	4070	4574	4421	4556
Gaming industry employees	29,456	28,703	28,353	27,863	27,024
Bookmaker's key employees	208	204	211	226	234
Total	33,634	32,977	33,138	32,510	31,814

Minor gaming

In 2017–18 the VCGLR determined 288 applications to be declared as community and charitable organisations, and 199 applications seeking to renew their status to enable legitimate community and charitable gaming activities such as bingo and raffles.

The VCGLR issued 700 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 1725 assessments relating to the structure, probity and financial status of participants involved in the Melbourne casino, gaming and racing industries. This included companies, associations, partnerships and individuals seeking approval to operate gaming or bingo venues, supply electronic gaming machines, organise commercial raffles, or supply goods and services to the Melbourne casino.

It also undertook activities relating to the ongoing monitoring of all commercial licence holders to identify any changes in structure, addition of associates or any adverse probity or financial issues. The VCGLR considered applications 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 209 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 2017–18, five approvals were determined in relation to modifications to the YourPlay system.

The VCGLR also determined applications for approval from manufacturers and suppliers for 157 new games or gaming machines, and 222 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 in respect of the sports betting events for which they are responsible.

As of 30 June 2018, there were 10 approved sports controlling bodies.

In 2017–18, the VCGLR took disciplinary action against five venue operators, one Roll Listee, two bookmakers, six holders of gaming industry employee licences, and two holders of a casino special employee licence.

Sports betting and other approved betting events

In Victoria, the wagering and betting provider, Tabcorp, must only take bets on racing products or on betting events that have been approved by the VCGLR for betting purposes. During the year, the VCGLR considered one application from Tabcorp to approve an event for betting purposes. The 'Mayweather v McGregor' boxing event was approved as suitable for betting.

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.

Gaming machine entitlements

The VCGLR manages the attachment, amendment, transfer, payment and extension of relevant holding periods relating to gaming machine entitlements. In 2017–18, the VCGLR determined:

- as a result of changes to regional caps and municipal limits made by the Minister on 20 September 2017 (effective on 3 November 2017), 63 applications for the amendment of the geographic conditions attached to an entitlement relating to 1,960 hotel entitlements and 2,149 club entitlements, all of which were granted
 - 30 applications for the transfer of entitlements, relating to 433 hotel entitlements and 177 club entitlements, all of which were granted
 - 43 applications to extend the entitlement holding period, of which 42 were granted and one was refused.
- As of 30 June 2018, 430 entitlements (352 club entitlements and 78 hotel entitlements) were subject to the holding period provisions. The holding periods for these entitlements have been extended by the VCGLR upon application by entitlement holders.
- In the financial year ending 30 June 2018, 66 entitlements were forfeited. Thirty entitlements were forfeited as the venue operator ceased gaming operations and was unable to sell these club entitlements, while 36 entitlements were forfeited under the relevant holding period provisions.
- Since 16 February 2013 (being the first date in which entitlements could be forfeited) until 30 June 2018, 458 entitlements have been forfeited.
- 22 applications for the amendment of the geographic conditions attached to an entitlement relating to 95 hotel entitlements and 52 club entitlements, all of which were granted
 - one application for the amendment of the geographic conditions attached to an entitlement relating to nine club entitlements, which was refused

Table 9 - Gambling licensing-related activity

Licence or approval type		2014-15	2015-16	2016-17	2017-18	
Gaming Industry Employee	Issued	New	1914	1909	2137	1874
		Renewal	306	254	300	414
		Replacement	336	332	251	215
	Refused	7	7	14	17	
	Appealed	Appealed total	0	0	2	1
		Appeal granted	0	0	0	0
		Appeal rejected	0	0	2	0
		Appeal pending	0	0	0	1
		Appeal withdrawn	0	0	0	0
	Casino Special Employee	Issued	New	605	1075	558
Renewal			72	170	212	184
Replacement			113	127	110	117
Upgrade			107	64	0	0
Refused		0	0	1	4	
		Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
		Appeal withdrawn	0	0	0	0
Casino Operator			Associate	2	2	0
Venue Operator	Issued	New	7	9	13	25
		Renewal	64	42	41	93
		Nominee	123	105	96	151
		Associate	1093	737	861	1253
		Amendment	17	27	22	25
		Endorsement	1	0	0	0
	Refused	0	0	1	2	
		Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
Appeal withdrawn		0	0	0	0	

Licence or approval type		2014–15	2015–16	2016–17	2017–18	
Bookmakers	Issued	Sole traders (new)	13	10	5	2
		Sole traders (renewal)	4	0	0	0
		Corporate (new)	0	0	0	1
		Corporate (renewal)	0	0	0	0
		Partnerships (new)	11	1	2	2
		Partnerships (renewal)	1	0	0	0
		New nominee	0	0	0	1
		New associate	2	3	0	7
		Replacement	0	0	0	0
	Refused		2	1	0	0
	Appeal	Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
Appeal withdrawn		0	0	0	0	
Bookmakers Key Employees	Issued	New	11	9	16	8
		Renewal	0	0	0	0
		Replacement	2	1	2	1
	Refused		0	0	0	0
	Appeal	Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
Appeal withdrawn		0	0	0	0	
Bingo Centre Operator	Issued	New	1	1	1	1
		Renewal	2	0	0	0
		Nominee	3	1	1	1
		Associate	15	6	2	2
	Refused		2	0	0	0
	Appeal	Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
Appeal withdrawn		0	0	0	0	

Licence or approval type		2014-15	2015-16	2016-17	2017-18	
Commercial Raffle Organisers	Issued	New	2	3	1	1
		Renewal	1	0	0	0
		Nominee	3	3	1	0
		Associate	17	25	2	3
	Refused		0	0	0	0
		Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
		Appeal withdrawn	0	0	0	0
Roll of Manufacturers, Suppliers and Testers	Issued	New	1	2	1	1
		Associate	63	36	33	42
	Refused		0	0	1	0
		Appeal granted	0	0	0	0
		Appeal rejected	0	0	0	0
		Appeal pending	0	0	0	0
		Appeal withdrawn	0	0	0	0
Public Lottery	Associate	2	2	0	9	
Wagering and Betting	Associate	1	7	3	12	
Keno	Associate	1	1	1	8	
EGM Monitor	Associate	4	3	1	10	
Minor Gaming Permits	Issued	Raffles	547	471	559	484
		Bingo (notifications)	46	21	69	19
		Lucky envelopes	337	179	264	170
		Fundraising events	26	21	47	27
		Amendments	183	151	35	73
	Refused		1	0	1	2
		Appealed	Appealed total	0	0	0
	Appeal granted		0	0	0	0
	Appeal rejected		0	0	0	1
	Appeal pending		0	0	0	0
Appeal withdrawn	0		0	0	0	

Licence or approval type			2014-15	2015-16	2016-17	2017-18
Declaration of Community or Charitable Organisation	Issued	New	332	286	298	275
		Renewal	178	128	317	199
	Refused	11	18	3	13	
	Revoked	0	0	0	16	
	Appealed	Appealed total	2	0	0	0
		Appeal granted	1	2	0	0
		Appeal rejected	0	2	0	0
		Appeal pending	1	0	0	0
		Appeal withdrawn	0	0	0	0
	Gambling Product	New EGMs and EGM games	Approved	178	212	216
Refused			0	0	0	0
Modification to EGMs, games and systems		Approved	737	654	255	227
		Refused	0	0	0	0
Linked jackpot arrangements in venues		Approved	122	474	388	75
		Refused	0	0	0	0
Modification to wagering system		Approved	82	90	90	73
		Refused	0	0	0	0
Modifications to Keno system		Approved	13	13	9	15
		Refused	0	0	0	0
Modification to lottery system		Approved	47	40	59	59
		Refused	0	0	0	0
Modification to Casino systems & equipment		Approved	39	60	68	48
		Refused	0	0	0	0
Variations to betting rules		Approved	1	2	1	3
		Refused	0	0	0	0
Variations to lottery rules		Approved	10	1	1	3
		Refused	0	0	0	0
New or variations to casino games or rules		Approved	15	11	18	4
		Refused	0	0	0	0
Sports betting event		Approved	0	1	0	1
		Refused	0	0	0	0
Sports controlling body		Approved	1	0	0	0
		Refused	0	0	0	0

Gambling audit and risk assurance

Revenue and operational assurance

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

In relation to gaming tax payable by gaming venues, the VCGLR has continued to successfully collect 100 per cent of taxes payable in the current reporting period through a direct debit from each venue's nominated bank account. There is no unpaid debt to the State in relation to gaming tax payable by gaming venues.

The VCGLR also receives and verifies each tax payment made by the relevant licensee in relation to all other gambling products offered in the State.

This verification process has occurred within two weeks of taxes being paid by the respective licensee. All variances between taxes calculated and amounts paid by the licensee are addressed, and additional payments and associated penalties were received as required.

Validated gambling expenditure data is published on the VCGLR website. Expenditure data by Local Government Area is published monthly and data by gaming venue is published every six months.

Gambling player loss and taxes and levies paid 2017–18

As at 30 June 2018, player loss in its various forms within Victoria amount so \$5857.9 million and taxes and levies paid to the State of Victoria amounts to \$1710.6 million.

Table 10 - Player loss and taxes paid by category activity

Source	Player loss	Taxes and levies paid into the Consolidated Fund
	\$m	\$m
Gaming machines - hotels and clubs	2695.3	1023.2
Melbourne Casino - gaming machines and table games ^[1]	1773.6	216.9
Wagering—racing (totalisator), football, track-side and sports betting	848.2	53.9
Lotteries ^[2]	517.8	411.0
Keno	23.1	5.6
Total:	5857.91	1710.62

[1] In relation to consolidated taxes for 2017-18, super tax of \$8.7 million is included in the schedule of Melbourne Casino taxes above, which were paid in July 2018.

[2] Victoria only.

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

2017–18 Applicable taxation rates, by venue type and gambling type			
Gaming machines–hotels and clubs			
1 July 2017–30 June 2018	Average monthly player loss per machine		
	less than \$2666	between \$2666 and \$12,499	above \$12,500
Clubs	0.00%	46.70%	54.20%
Hotels ^[1]	8.33%	55.03%	62.53%
Casino 2017–18 - Gaming machines and table games			
General player casino tax (tables only)	21.25%		
General player casino tax (gaming machines only)	31.57%		
Commission based player tax (tables and gaming machines)	9.00%		
Community Benefit levy (all players)	1.00%		
Wagering 2017–18			
Totalisator (pari-mutuel) betting	7.60%		
Approved betting competition	7.60%		
Fixed Odd 2017–18			
Fixed Odds sports betting	4.38%		
Fixed Odds track-side	10.91%		
Lotteries 2017–18			
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 2017–18			
Gaming tax	24.24%		

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

Table 12 - Tax collection analysis by month for 2017–18

Taxable Month	Number of venues scheduled for collection ^[1]	Monthly Tax Collection Status as at the end of 2017–18 (# of venues)		
		Failed initial sweep	Tax subsequently collected	Outstanding Tax at end of 17–18
July 2017	476	0	0	0
August 2017	478	2	2	0
September 2017	475	0	0	0
October 2017	471	0	0	0
November 2017	474	0	0	0
December 2017	481	1	1	0
January 2018	478	0	0	0
February 2018	472	0	0	0
March 2018	478	1	1	0
April 2018	476	0	0	0
May 2018	475	0	0	0
June 2018	473	0	0	0

[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 that the community benefit provided by the club is equal to at least 8.33 per cent of its net gaming machine revenue.

Table 13 – Community benefit statements

	Clubs
Number of Community Benefit Statements Lodged (as at 1 July 2018)	238
	\$'000
2017–2018 Net Gaming Revenue (“NGR”)	903,353
Community Benefit Statement claims	
Class A	\$'000
a) Donations, gifts and sponsorships (including cash, goods and services)	18,893
b) Cost of providing and maintaining sporting activities for use by club members	27,776
c) Cost of any subsidy for the provision of goods and services but excluding alcohol	15,181
d) Voluntary services provided by members and/or staff of the club to another person in the community	4028
e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	853
Class A total	66,731
Class B	\$'000
a) Capital expenditure	11,259
b) Financing costs (including principal and interest)	5378
c) Retained earnings accumulated during the year	347
d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	1851
e) Operating costs	191,868
Class B total	210,703
Class C	\$'000
a) Provision of responsible gambling measures and activities but excluding those required by law	17
b) Reimbursement of expenses reasonably incurred by volunteers	170
c) CBS preparation and auditing expenses	269
Class C total	456
CBS Total (Class A + B + C)	277,890
Percentage of NGR claimed for community purposes	30.76%

Appendix 5 - Liquor licensing-related activity

In 2017–18, the VCGLR determined 16,434 liquor licence-related applications compared to 15,330 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 (66 per cent) were for temporary limited or major event licences.

Of the 16,822 finalised applications (being the total of all granted, refused and withdrawn applications), 97 per cent were granted, one per cent were refused and two per cent were withdrawn by the applicant.

A total of 89 per cent were finalised within 60 days of lodgement, compared to 87 per cent in the previous year. As of 30 June 2018, 17 per cent of applications awaiting determination had been pending for more than 60 days, compared to 17 per cent on 30 June 2017 and 13 per cent on 30 June 2016.

Table 14 – Total liquor licence applications

	2013–14	2014–15	2015–16	2016–17	2017–18
Lodged	15,971	15,654	15,814	15,468	16,847
Finalised	16,014	15,873	15,776	15,720	16,822

In a small proportion of finalised applications (one per cent), objections to the grant of the applications were received from Victoria Police, local councils or community members. Of these, approximately 59 per cent did not proceed as contested applications because either the objection or the application itself was withdrawn. Of those applications that did proceed as contested, 72 per cent were granted, often with special conditions.

As of 30 June 2018, there were 22,596 active

permanent liquor licences, which represented a three per cent increase on the previous year. This was largely driven by 474 restaurant and cafe licences and 436 renewable limited licences being granted through the year.

Each year a temporary decrease in licence numbers after 31 July can be observed because licences are rendered 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 notwithstanding the drop off between end of June and end of July which is consistent with the previous year in approximate numbers.

The VCGLR issued 25,619 Proof of Age cards during the year. Proof of Age cards 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 24 per cent increase from 2016–17 in which 20,678 cards were issued.

Table 15 – Proof of age cards issued

2013–14	2014–15	2015–16	2016–17	2017–18
14,288	13,312	15,578	20,678	25,619

At 30 June 2018, a total of 54 licences, incurring a total of 71 demerit points, were included in the demerit points register, as follows:

- one demerit point – 41 licences
- two demerit points – 10 licences
- three demerit points – 2 licences
- 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 or 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 2017–18, 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 16 – Licences granted by licence type

	2013–14	2014–15	2015–16	2016–17	2017–18
New permanent licences					
Full club licence	2	0	1	0	5
Restricted club licence	2	5	4	1	3
General licence	26	27	41	51	45
Late-night (general) licence	0	0	1	2	2
On-premises licence	73	85	74	81	72
Late-night (on-premises) licence	2	0	2	2	3
Renewable limited licence	315	375	290	372	436
Packaged liquor licence	64	65	73	84	50
Late-night (packaged liquor) licence	0	0	0	0	0
Pre-retail licence	117	154	172	183	156
Restaurant and cafe licence	427	493	524	541	474
Wine and beer producer's licence	24	28	27	35	23
BYO permit	131	133	121	97	96
Total new permanent licences	1183	1365	1330	1449	1365
New temporary licences					
Total temporary licences^[1]	9647	9562	10,165	10,254^[2]	10,828

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

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

Appendix 6 - Compliance and enforcement

Table 17 – Gaming venue operator disciplinary action in date order

Venue operator	Grounds	Decision Date	Result
Maffra Community Sports Club Inc	Failed to provide required information by failing to lodge its 2015–16 Community Benefit Statement by the due date.	4 August 2017	Letter of censure
Serene Hotels Pty Ltd	Failed to pay gaming taxes within seven days after the end of the calendar month for gaming conducted in the months of November 2016, January 2017 and April 2017 in respect of the Epping Hotel. Also failed to comply with minimum banking requirements and failed to comply with the Accounting & Auditing Venue Requirements Document.	15 August 2017	Letter of censure
Australian Leisure and Hospitality Group Pty Ltd	The venue operator failed to comply with the Accounting and Auditing Venue Requirements.	5 February 2018	Letter of censure
Australian Croatian Association 'Cardinal Alojz Stepinac' Geelong Inc	Failed to lodge an Associated Individual form for a new associate within the required timeframe.	6 February 2018	Letter of censure
Collingwood Football Club Ltd	The venue operator failed to advise of changes to its Memorandum & Articles of Association within 14 days in breach of Directions under 10.4A.4 of the GRA 2003.	6 March 2018	Fined \$4000

Table 18 - Roll Listee disciplinary action in date order

Roll Listee	Grounds	Decision Date	Result
Qld Pacific Finance Pty Ltd	A change in the situation of the Roll Listee had taken place and they have failed to notify the Commission in accordance with section 10.4A.4 of the GRA. The Roll Listee has also breached a condition to which their listing is subject.	8 August 2017	Letter of censure

Table 19 - Bookmaker disciplinary action in date order

Grounds	Decision Date	Result
An individual failed to provide required information.	16 January 2018	Letter of censure
An individual failed to provide required information.	1 March 2018	Registration cancelled

Table 20 – Gaming industry employee disciplinary action in date order

Grounds	Decision Date	Result
An individual contravened a condition of their licence.	31 January 2018	Cancellation of licence
An individual contravened a condition of their licence.	13 April 2018	Cancellation of licence and disqualification from obtaining or applying for a gaming licence for a period of two years
An individual contravened a condition of their licence.	4 June 2018	Cancellation of licence
An individual contravened a condition of their licence.	14 June 2018	Letter of censure
An individual contravened a condition of their licence.	26 June 2018	Cancellation of licence
An individual contravened a condition of their licence.	27 June 2018	Letter of censure

Table 21 – Casino special employee disciplinary action in date order

Grounds	Decision Date	Result
An individual contravened a condition of their licence.	28 July 2017	Letter of censure
An individual was charged with an offence arising out of his employment as a Casino special employee.	19 April 2018	Licence suspended for a period of three years

Table 22 - Other Disciplinary Action under Gambling Legislation

Company/Person	Grounds	Decision Date	Result
Crown Melbourne Ltd	Non compliance with record keeping obligations under Internal Control Statement.	6 December 2017	\$150,000 fine
Crown Melbourne Ltd	Unauthorised use of blanking buttons on certain electronic gaming machines.	26 April 2018	Letter of Censure and \$300,000 fine

Table 23 - Prosecutions under the Gambling Regulation Act 2003, in date order

Name	Relevant Offence	Court date	Court result
<p>Tabcorp Wagering (Vic) Pty Ltd</p>	<p>Gambling provider allow minor to gamble (x3) - section 10.7.3(1) of the <i>Gaming Regulation Act 2003</i></p>	<p>22 September 2017</p>	<p>Diversion plan entered into with the following conditions:</p> <ul style="list-style-type: none"> • By 21 December 2017, Tabcorp will release state-wide refresher briefing material in all of its Victorian agencies (approximately 92 agencies) licensed venues (approximately 641) in respect of potential dealings with minors (a “do’s & don’ts” list). • By 21 October 2017, Tabcorp will brief the VCGLR on Tabcorp’s Supervision Plan, including enhancements made. • By 21 December 2017, Tabcorp will complete an Electronic Betting Terminal (EBT) Supervision Plan for all Victorian live venues and racing tracks that offer EBTs, which will include (but not limited to) Tabcorp submitting to the VCGLR two weeks prior to major race meets and events, upon a VCGLR four-week prior notice request, the proposed location of EBTs and forms of supervision of EBTs. • By 21 December 2017, Tabcorp will ensure “proof of age” stamps are used at major race meets and events, and ensure the design of the stamps are changed annually. • By 21 December 2017, Tabcorp will distribute the “Toolbox Talk” Program at each and every live site and race track for use at all major race meets and events. • By 21 December 2017, Tabcorp will ensure an EBT Supervision Monitor Pack will be distributed to all Tabcorp race day and event managers at the start of each shift with an EBT Checklist.

Name	Relevant Offence	Court date	Court result
(cont'd) Tabcorp Wagering (Vic) Pty Ltd	(cont'd) Gambling provider allow minor to gamble (x3) - section 10.7.3(1) of the <i>Gaming Regulation Act 2003</i>	22 September 2017	(cont'd) <ul style="list-style-type: none"> • By 21 September 2018, Tabcorp will ensure any staff member located at a live site or race track undertakes refresher training on obligations relating to minors and compliance with the GR Act. Failure by any staff member to undertake such training will result in suspension from unsupervised wagering services until completion of the training. • By 21 October 2017, Tabcorp will include on its website a list of measures implemented by Tabcorp to ensure minors are neither encouraged to gamble nor allowed to do so. • Donate \$1000 to the Smith Family by 21 September 2018.
Greyhound Promotions Pty Ltd	Gambling provider allow minor to gamble - section 10.7.3(1) of the <i>Gaming Regulation Act 2003</i> .	1 March 2018	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> • Donate \$26,795.21 to the Springvale Benevolent Society or another agency dealing with the provision of welfare in the City of Greater Dandenong by 13 August 2018; • Pay \$200 costs to the VCGLR.

There were no prosecutions under the Casino Control Act in 2017–18.

Appeals against exclusion orders

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

Of these three appeals lodged, two were rejected and one appeal is yet to be determined.

Warnings and infringement notices

The VCGLR has a graduated response to enforcement under which the sanctions applied for non-compliance increase with the severity of the breach, with consideration given to the degree of culpability of the offender, the risk of harm to the community from the breach, or, whether non-compliance continues or is repeated.

Informal written warnings are issued when there has been a licence condition breach. These give the licensee an opportunity to voluntarily return their premises to a compliant state within a particular time frame and are not part of the formal legislated process. However, they are used to track the non-compliance history of licensees

or other parties 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 2017–18, 122 infringements and 42 official and informal warning letters were issued to casino patrons for breaching their exclusion orders. There were 89 informal written warnings were issued for breaches at gambling venues other than the Melbourne Casino.

There were 3929 informal letters issued for breaches of the Liquor Control Reform Act in 2017–18 and 477 infringement notices for breaches of the Liquor Control Reform Act.

Two disciplinary action inquiries undertaken under section 91 of the Liquor Control Reform Act were finalised in 2017–18.

Table 24 - Disciplinary action inquiry under Section 91 of the Liquor Control Reform Act 1998, finalised in 2017–18

Licensee	Grounds	Decision Date	Result
V&G Culture Pty Ltd (FM Karaoke)	S.90(1)(a) S.90(1)(l) S.90(1)(q)	30 August 2017	<p>Imposed fine of \$5000 against the licensee, issued a letter of censure and disqualified (for a period of 12 months) a related person from:</p> <ul style="list-style-type: none"> • holding a licence or BYO Permit; • being a director in any body corporate that holds a licence or BYO permit; • being a partner in any partnership that holds a licence or BYO permit; • having a beneficial interest (whether directly or indirectly) in the shares of any body corporate that holds a licence or BYO permit; and • in any way (whether directly or indirectly) taking part in, or being concerned in, the management of any licensed premises or any body corporate that holds a licence or BYO permit or any licensed club. <p>The Commission also accepted an enforceable undertaking requiring the Licensee to ensure that an independent audit of its service of alcohol and compliance with liquor regulation practices at the Premises by 31 December 2017 and thereafter at six-monthly intervals for a further two years.</p>

Licensee	Grounds	Decision Date	Result
Top Liquor Supplies Pty Ltd	S.90(1)(a) S.90(1)(i) S.90(1)(l) S.90(1)(q)	27 April 2018	<p>Disqualified (for a period of two years) the Licensee's related person from:</p> <ul style="list-style-type: none"> • holding a licence or BYO Permit; • being a director in any body corporate that holds a licence or BYO permit; • being a partner in any partnership that holds a licence or BYO permit; • having a beneficial interest (whether directly or indirectly) in the shares of any body corporate that holds a licence or BYO permit; and • in any way (whether directly or indirectly) taking part in, or being concerned in, the management of any licensed premises or any body corporate that holds a licence or BYO permit or any licensed club.

Table 25 – Enforceable Undertakings under the Liquor Control Reform Act in date order

Licensee	Premises	Licence type	Commencement date	Length of undertaking
V&G Culture Pty Ltd	FM Karaoke Bar	Late Night (on premises)	21 August 2018	No expiry date.
Pizza Religion Geelong Pty Ltd	Pizza Religion Geelong	Restaurant and Café Licence	23 January 2018	In effect until Commission consents to its removal.

Table 26 – Prosecutions under the Liquor Control Reform Act 1998 in date order

Name	Offence and date committed	Court date	Court result
Individual	Exceeding the licensed premises maximum patron capacity – section 108(1)(a)(i) of the Liquor Control Reform Act.	25 July 2017	Without conviction. 12-month good behaviour bond with condition to pay \$800 to Samaritan House Geelong plus \$279.90 for costs.

Name	Offence and date committed	Court date	Court result
Ezon Soundbar Pty Ltd	Licensee fail to ensure person who sells liquor completes approved RSA program within three years from the date on which that person last completed an approved RSA program – section 108AC(2) of the Liquor Control Reform Act.	3 August 2017	Without conviction. \$933 fine and \$77 costs.
The Goriller Pty Ltd	Sell liquor or offer liquor for sale whilst not being a licensee - section 107(1) of the Liquor Control Reform Act.	11 August 2017	Without conviction. \$1250 fine.
San Remo Hotel Pty Ltd	Supply liquor to a person who is in a state of intoxication - section 108(4) (a) of the Liquor Control Reform Act.	7 September 2017	<p>Diversion plan entered into with the following conditions:</p> <ul style="list-style-type: none"> To be of good condition for the period of the plan until 6 September 2018; To establish a venue management plan addressed the matters listed in the VCGLR's liquor licensing fact sheet 'Management Plan' within three months; Ensure all directors of the licensee and its senior managers undertake further training in relation to the responsible service of alcohol, including responsibilities and obligations under its liquor licence and the Act, and venue best practices (again, within three months); and Pay \$300 to the VCGLR for all costs of, and incidental to, this proceeding (within 28 days)
Individual	Supply liquor not in accordance with licence - section 108(1)(a)(ii) of the Liquor Control Reform Act.	13 September 2017	Without conviction. Six-month good behaviour bond with condition to pay \$910 fine plus \$300 for costs.

Name	Offence and date committed	Court date	Court result
SCA Corporation Pty Ltd and Individual	Offer liquor for sale when not a licensee - section 107(1) of the Liquor Control Reform Act Falsely indicate that the premises are licenced - section 116 of the Liquor Control Reform Act.	27 September 2017	Company - Diversion plan entered into with condition to pay \$400 to the Court fund. Individual - Six-month good behaviour bond with condition to pay \$200 to the Court fund.
The Fiddler Pub Pty Ltd	Allowing a minor on licensed premises - section 120(1) of the Liquor Control Reform Act.	6 December 2017	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> <li data-bbox="1118 801 1481 898">• To be of good condition for the period of the plan until 5 March 2018; <li data-bbox="1118 931 1481 1025">• Donate \$1000 to the Royal Children's Hospital before 5 March 2018.
Ding Dong Lounge Pty Ltd	Supply liquor not in accordance with licence - section 108(1)(a)(i) of the Liquor Control Reform Act.	25 January 2018	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> <li data-bbox="1118 1122 1481 1218">• Donate \$1000 to the Salvation Army by 1 March 2018; <li data-bbox="1118 1252 1481 1406">• Pay \$80.10 to the VCGLR for all costs of, and incidental to, this proceeding by 1 March 2018.
Greyhound Promotions Pty Ltd	Allowing a minor on licensed premises - section 120(1) of the Liquor Control Reform Act.	1 March 2018	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> <li data-bbox="1118 1509 1481 1727">• Donate \$26,795.21 to the Springvale Benevolent Society or another agency dealing with the provision of welfare in the City of Greater Dandenong by 13 August 2018; <li data-bbox="1118 1760 1481 1821">• Pay \$200 costs to the VCGLR.

Name	Offence and date committed	Court date	Court result
Regal Court Pty Ltd	Licensee fail to ensure person who sells liquor completes approved RSA program within 3 years from the date on which that person last completed an approved RSA program – section 108AC(2) of the Liquor Control Reform Act.	14 March 2018	Without conviction. \$352 fine and \$200 costs.
Bella Macchina Pty Ltd	2 x permitting liquor to be consumed not in accordance with its licence - section 108(1)(a)(iii) of the Liquor Control Reform Act.	10 April 2018	Without conviction. \$500 fine
Sheds 3, 4 and 5 Pty Ltd	Supply liquor not in accordance with licence - section 108(1)(a)(i) of the Liquor Control Reform Act.	17 April 2018	Without conviction. 12-month good behaviour bond with condition to pay \$500 to the Court fund.
Minardi Pty Ltd	Allowing a minor on licensed premises - section 120(1) of the Liquor Control Reform Act.	5 June 2018	Diversion plan entered into with the following conditions: <ul style="list-style-type: none"> • Donate \$2000 to the Royal Children’s Hospital by 10 June 2019; • Be of good behaviour until 10 June 2019; • Distribute a “Proof of Age Card Checklist” and provide in-person briefings to all crowd controllers and liquor staff by 1 August 2018.

Appendix 7 – Corporate Plan

The VCGLR's Corporate Plan 2017–20, launched in July 2017, incorporated a series of Measures of Success, in the form of Key Performance Indicators (KPIs) to be used to monitor outcomes arising from the three key priorities:

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

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

Table 27 – Corporate Plan reporting

Targets to be achieved over three years (to 30 June 2020)						
Priority	Key performance indicator	Unit of Measure	30 Jun 2017 Benchmark	30 Jun 2018 Actual	30 Jun 2020 Target	Commentary
Modernising regulatory tools and practice	Increase joint operations with co-regulators by 30%	number ^[1]	34	22	44	In 2017–18, the Compliance Division completed 22 joint operations, aided by the establishment of the division's Tasking and Coordination Committee at the beginning of the period. The planning, coordination and execution of these operations is often complex, and undertaken in order to identify harm offences that related to drunks, minors on premises and intoxication.

[1] The overall percentage will be calculated in 2019–20 against the June 2017 benchmark

Targets to be achieved over three years (to 30 June 2020)

Priority	Key performance indicator	Unit of Measure	30 Jun 2017 Benchmark	30 Jun 2018 Actual	30 Jun 2020 Target	Commentary
Modernising regulatory tools and practice (cont'd)	Decrease administrative non-compliance by 5%	number ^[1]	1790	3204	1700	The end of year result represents the total number of administrative non-compliance breaches detected by the Compliance Division in 2017–18. The division trained 15 fixed term assistant Inspectors in 2016–17, who focused on low to medium risk inspections, which are more straightforward and less time consuming. The high number of these inspections has provided additional data and intelligence that will further enhance the VCGLR's ability to target more high risk, more complex, and thus more time consuming, inspection activities in the future.
	Increase the number of inspections at high-risk, high-harm times	number	1021	1781	Trend over time	In 2017–18, the Compliance Division conducted 1,781 inspections at high risk times, an increase of 760 on 2016–17. The result is attributed to the Division's increased intelligence capability through the use of the Hive tool and the Tasking and Coordination process.

[1] The overall percentage will be calculated in 2019–20 against the June 2017 benchmark

Targets to be achieved over three years (to 30 June 2020)						
Priority	Key performance indicator	Unit of Measure	30 Jun 2017 Benchmark	30 Jun 2018 Actual	30 Jun 2020 Target	Commentary
Modernising regulatory tools and practice (cont'd)	Decrease complaints against industry by 5%	number ^[1]	790	884	750	<p>The KPI captures complaints received by the Compliance Division Complaints team, which categorises the relevant matters according to type (address, licensing product, organisation, person, premises and blank field (where unlicensed)). The nature of the data means that the aggregate complaints total may include multiple matters raised against a single venue.</p> <p>The VCGLR's Education Strategy, consisting of engagement with industry through a number of channels such as Street Talk and liquor forums and accords, will help to provide licensees with appropriate guidance and information in relation to compliance with legislative obligations.</p> <p>It should be noted this is a three year target. The nature of activities being undertaken with industry to comply with their obligations over the life of the Corporate Plan will mean that favourable outcomes will not necessarily be achieved in equal increments over the three years.</p>

[1] The overall percentage will be calculated in 2019–20 against the June 2017 benchmark.

Targets to be achieved over three years (to 30 June 2020)

Priority	Key performance indicator	Unit of Measure	30 Jun 2017 Benchmark	30 Jun 2018 Actual	30 Jun 2020 Target	Commentary
Modernising regulatory tools and practice (cont'd)	Increase inspections at high-risk times to 18%	percentage	10.9%	13.72%	18.0%	In 2017–18, the Compliance Division conducted 1781 inspections at high risk times which represents 13.72 per cent of all inspections conducted for the year. The result demonstrates an increased focus on harm minimisation through the use of the HiVE tool and the Tasking and Coordination process.
Providing a collaborative and unified environment	% of staff with an integrated performance development plan	percentage	95%	99.52%		The high percentage is indicative of the commitment by management and staff to the performance management process.
	Staff are engaged and have a positive work environment	percentage	62%	64%		This KPI is based on the VCGLR's result for satisfaction, commitment and engagement from the People Matter Survey. This is measured by averaging the results for questions from sections in the Survey that relate to employee engagement and job satisfaction. The improvement represents a positive response to people and culture initiatives and activities taken to date in order to build capability and shape a positive workforce culture.

Targets to be achieved over three years (to 30 June 2020)			
Priority	Key performance indicator	Unit of measure	Commentary
Increasing strategic influence to improve outcomes	Qualitative evaluation using stakeholder feedback. % and number of stakeholders surveyed with a high level of confidence in the VCGLR	percentage	The VCGLR will report against this KPI in the 2019–20 Annual Report.
	% industry perceiving the VCGLR to be satisfactorily regulating the gambling and liquor industries.	percentage	The VCGLR will report against this KPI in the 2019–20 Annual Report.

Appendix 8 - Governance

Establishment

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

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

Audit and Risk Management Committee

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

- Mr David Boymal AM (Chair)
- VCGLR Deputy Chairperson Deirdre O'Donnell
- VCGLR Commissioner Des Powell.

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

The main responsibilities of the Audit and Risk Management Committee are to:

- review and report independently to the Commission on the annual report and all other financial information published by the VCGLR
- assist the Commission in reviewing the effectiveness of the VCGLR's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors
- maintain effective communication with external auditors

- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised
- oversee the effective operation of the risk management framework.

In 2017–18 the Committee met five times on 14 August 2017, 18 September 2017, 13 November 2017, 6 March 2018 and 7 May 2018.

Financial Management Compliance

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

The VCGLR reviewed its financial management processes and determined it was compliant with the mandatory financial management requirements. The VCGLR Audit and Risk Management Committee verified this view.

People and Culture Committee

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

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

This year the People and Culture Commissioner members comprised Committee Chair Deirdre O'Donnell PSM, Ross Kennedy PSM, and Des Powell AM.

Legislation, Regulation and Policy Committee

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

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

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

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

- consider relevant legislative, regulatory or policy initiatives in other jurisdictions.

This year the VCGLR Legislation, Regulation and Policy Committee comprised Helen Versey (Committee Chair), Ross Kennedy PSM and Deirdre O'Donnell PSM.

Attestation

VCGLR Financial Management Compliance Attestation Statement

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



Ross Kennedy

Chairperson, Victorian Commission for Gambling and Liquor Regulation

On this date 3 September 2018

Occupational health and safety

The VCGLR has an active Occupational Health and Safety Committee that meets quarterly and ensures work-related risks are identified and addressed. During this year the number of incidents and claims has remained relatively consistent.

Table 28 - Incidents, claims, fatalities and claim costs from 2013–14 to 2016–17 per 100 full time equivalents (FTE)

Measure	KPI	2015–2016	2016–2017	2017–2018
Incidents	Number of Incidents ^[1]	18	12	12
	Rate per 100 FTE	10.08	6.09	5.7
Claims	Number of standard claims ^[2]	3	3	3
	Rate per 100 FTE	1.68	1.52	1.43
	Number of lost time claims ^[2]	3	3	3
	Rate per 100 FTE	1.68	1.52	1.43
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim ^[2]	\$56,571	\$189,954	\$32,141

[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 2018. 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. There are comprehensive policies and practices in place that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

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

Public sector values

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 also developed an integrity framework that supports and promotes the organisations values and employment principles which are consistent with this approach.

Comparative workforce data

There has been an increase in FTE at the VCGLR in 2017–18 which is attributable to recruitment for projects such as the Sixth Casino Review, implementation of the risk-based licensing project and the new regional Compliance officers.

Table 29 – Details of employment levels in June 2017 and 2018

June 2018							
	All employees		Ongoing employees			Fixed term and casual employees	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Gender:							
Male	119	118	106	2	107	11	11
Female	101	92	68	23	83	10	9
Self-described	0	0	0	0	0	0	0
Total	220	210	174	25	190	21	20
Age							
15–24	2	2	2	0	2	0	0
25–34	53	51	38	4	40	11	11
35–44	67	63	49	12	57	6	6
45–54	44	42	36	4	39	4	3
55–64	50	49	47	3	49	0	0
65+	4	3	2	2	3	0	0
Total	220	210	174	25	190	21	20
Classification							
VPS 1	0	0	0	0	0	0	0
VPS 2	20	18	13	6	17	1	1
VPS 3	57	56	45	5	49	7	7
VPS 4	65	61	48	9	54	8	8
VPS 5	42	41	36	3	38	3	3
VPS 6	29	28	25	2	26	2	2
STS	1	1	1	0	1	0	0
Executives	6	6	6	0	6	0	0
Total	220	210	174	25	190	21	20

Table 29 (cont'd) – Details of employment levels in June 2017 and 2018

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							
VPS1	0	0	0	0	0	0	0
VPS2	20	19	16	4	19	0	0
VPS3	56	55	48	4	51	4	4
VPS4	56	54	48	6	52	2	2
VPS5	36	35	31	2	32	3	3
VPS6	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.

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 (e.g. 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.

2018 is the first year the VCGLR is reporting on self-described as a category of gender.

Table 30 – 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	2	0	0
\$200,000 - \$219,999	2	1	0
\$220,000 - \$239,999	0	0	0
\$240,000 - \$259,999	1	0	0
Total	6	1	0

Note: The salaries reported above are as at June 2018, 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 to whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies. All figures reflect employment levels at the last full pay in June of the current and corresponding previous reporting year.

Table 31 – Executive staffing profile by gender

Class	All			Male			Female			Self-described		
	2018	2017	Var.	2018	2017	Var.	2018	2017	Var.	2018	2017	Var.
EO1	0	0	0	0	0	0	0	0	0	0	0	0
EO2	0	0	0	0	0	0	0	0	0	0	0	0
EO3	5	5	0	3	3	0	2	2	0	0	0	0
Total	5	5	0	3	3	0	2	2	0	0	0	0

Table 32 – Reconciliation of executive numbers

	2018	2017
Executives (Financial Statement)	6	5
Accountable Officer (CEO)	1	1
Less separations	-1	0
Total executive numbers at 30 June	6	6

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 2017–18 there were four consultancies engaged during the year, where the total fees payable to individual consultants were \$10,000 or greater. The total expenditure incurred during 2017–18 in relation to these consultancies is \$437,346 (excluding GST). Details of individual consultancies are outlined below.

Table 33 – Details of consultancies valued at \$10,000 or greater

Consultant	Purpose of Consultancy	Start date	End date	Total Approved Project fee (excl GST)	Expenditure 2017–18 (excl GST)
Cube Group Management Consulting (Aust) Pty Ltd	Expert advice including options analysis for development of business case.	October 2017	December 2017	32,778	32,778
Cube Group Management Consulting (Aust) Pty Ltd	Professional services to develop a measurement, evaluation and review framework.	March 2017	September 2018	70,925	26,656
KPMG	Provision of organisational design review.	September 2017	January 2018	121,095	121,095
PricewaterhouseCoopers	Provision of commercial and financial advisory services.	November 2017	June 2018	256,818	256,818
					\$437,346

Details of consultancies under \$10,000

In 2017–18 there were no consultancies (finance to provide) 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 2017–18 reporting period, the VCGLR had a total ICT expenditure of \$8,111,889 with the details below.

Table 34 – 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 \$ (excl. GST)	Non-Business As Usual (non-BAU) ICT expenditure (Total = Operational expenditure and capital expenditure) \$ (excl. GST)	Operational expenditure \$ (excl. GST)	Capital expenditure \$ (excl. GST)
6,951,245	1,160,644	594,885	565,759

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 2017–18.

Summary details of contracts with a commitment greater than \$100,000 entered into during 2017–18 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.

From 1 July 2017 to 31 August 2018, the VCGLR had an average processing time of 37.25 days which was within the statutory requirement of 45 days. On 1 September 2017, the statutory timeframe to finalise an FOI request was changed from 45 days to 30 days. From this date to 30 June 2018, the VCGLR had an average processing time of 30.26 days. Under the FOI Act, decision makers are permitted an extension of up to 15 calendar days for requests that require consultation with specified third parties.

Table 35 - Freedom of information requests received during 2017–18

Requests received		20
Initial decision		
Granted in full		6
Partially granted		11
Denied		6
Previously released		0
In process		0
Non-existent document requested		0
Not proceeded with		0
Withdrawn		1
Transferred to another agency		1
Total		25^[1]

Table 36 - Information about freedom of information requests received during 2017–18

Information about requests	
Transferred from another agency	1
Average processing time (days)	31.47 ^[2]
Applications for review to the FOI Commissioner	1
Applications to the Victorian Civil and Administrative Tribunal	0
Complaints to the FOI Commissioner	0

[1] Includes five requests carried over from previous year.

[2] Includes five matters that required external consultation and had a 15-day time extension.

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/

- clear description of the documents being requested with sufficient detail to enable the document(s) being sought to be identified.
- the appropriate application fee (currently \$28.90). If an applicant is suffering financial hardship, they may request the VCGLR to waive the application fee. Other costs (photocopying, search and retrieval charges) may be incurred in granting access to the documents requested. These will be communicated accordingly.

The written request should be addressed to:

Freedom of Information Officer
Victorian Commission for Gambling and Liquor Regulation

GPO Box 1988
Melbourne Victoria 3001

or

Level 3
12 Shelley Street
Richmond Victoria 3121

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

Making a complaint

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

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

**Compliance with the
*Protected Disclosure Act 2012***

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

Reporting procedures

Reports must be made directly to IBAC.

Further information

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

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 *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.

Appendix 9 – Office-based environmental impact

Energy

The VCGLR consumed 1,635,896.16 megajoules (MJ) of electricity for its North Richmond office tenancy during 2017–18 year and this equates to 352.7 MJ per square metre. In relation to greenhouse gas emissions, this means a total of 507.58 tonnes of CO₂-e.

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

Waste

While the VCGLR continues to conscientiously separate waste into recyclables, compost and landfill, the property manager of the 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. Further, where appropriate the VCGLR also provides shredded paper waste to the North Richmond community garden for use as compost material.

Paper

The VCGLR uses 100 per cent recycled copy paper. FollowMe Printing allows users to print to a shared print queue, roam and release their print job from any printer. This ensures printing is confidential to the user and reduces printed waste from documents left uncollected 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 37 – Paper

Paper use	2016–17	2017–18
Paper used per Full Time Equivalent (FTE) (reams)	15.98	14.8
Paper used in total (reams)	3150	3115

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 2017–18 the VCGLR maintained a fleet of 12 operational vehicles and four Executive vehicles. 10 of the 12 vehicles are leased from Department of Treasury and Finance (DTF) VicFleet and two are owned outright by the VCGLR. All fleet vehicles, with the exception of the Kias, were in service for the full 12 months of the 2017–18 financial year.

Table 38 – Transport

All vehicles	2016–17	2017–18
Litres of petrol used	8576 ^[1]	21,355.41
Litres per vehicle (average)	2144 ^[1]	1334.71 ^[2]

[1] 2016–17 figures are for Executive vehicles only.

[2] Two Kia Sportage vehicles were purchased for the Regional Hubs set-up and have been in service since March and April 2018 respectively, thereby reducing the overall fuel consumption average for the 17/18 financial year.

The VCGLR also holds 25 Myki Cards across all Divisions to enable staff to travel by public transport to meetings and other work related duties when possible. 14 of the 25 cards are held by the

Compliance Division to assist Compliance Inspectors carrying out inspections/operations in the inner city & suburbs and to reduce demand on the vehicle fleet.

Greenhouse gas emissions

As a tenant in a multi-lease commercial building, the VCGLR is unable to measure greenhouse gas emissions. 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 2017–18 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 2017–18
- 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.

Financial Statements

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 2018 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, cash flow statement, statement of changes in equity and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2018.

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

We authorise the attached financial statements for issue on 3 September 2018.



Ross Kennedy
Chairperson



Catherine Myers
Chief Executive Officer



Michael Everett
Director Corporate Services & Chief Finance Officer

Melbourne

3 September 2018

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 2018 • 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 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 2018 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. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the 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 Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
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, disclosing, as applicable, matters related to 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners
- conclude on the appropriateness of the 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 authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



MELBOURNE
6 September 2018

Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

for the financial year ended 30 June 2018

	Notes	2018 \$	2017 \$
Income from transactions			
Grants	2.2	37,893,397	36,493,978
Repayment of grants	2.1	0	(897,924)
Total income from transactions		37,893,397	35,596,054
Expenses from transactions			
Employee expenses	3.1.1	(24,936,907)	(24,229,157)
Depreciation and amortisation expense	5.1.1	(2,294,852)	(1,970,828)
Other operating expenses	3.2	(10,598,940)	(10,348,317)
Total expenses from transactions		(37,830,699)	(36,548,302)
Net result from transactions (net operating balance)		62,698	(952,247)
Other economic flows included in net result			
Other gains/(losses) on non-financial assets ⁽ⁱ⁾		0	(68,244)
Other gains/(losses) from other economic flows ⁽ⁱⁱ⁾		(7,151)	365,808
Total other economic flows included in net result		(7,151)	297,564
Net result		55,547	(654,683)
Comprehensive result		55,547	(654,683)

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 2018

	Notes	2018 \$	2017 \$
Assets			
Financial assets			
Cash and cash equivalents	7.2	736,305	683,915
Receivables	6.1	9,323,318	8,209,483
Total financial assets		10,059,623	8,893,398
Non-financial assets			
Leasehold improvements, plant, equipment and vehicles	5.1	2,683,187	3,618,550
Intangible assets	5.2	5,748,211	5,862,773
Prepayments	6.3	598,036	440,970
Total non-financial assets		9,029,434	9,922,293
Total assets		19,089,057	18,815,691
Liabilities			
Payables	6.2	2,252,277	2,113,930
Leases	7.1	275,971	291,434
Provisions	3.1.2	6,577,176	6,482,241
Total liabilities		9,105,424	8,887,605
Net assets		9,983,633	9,928,086
Equity			
Accumulated surplus/(deficit)		2,088,071	2,032,524
Contributed capital		7,895,562	7,895,562
Net worth		9,983,633	9,928,086

The accompanying notes form part of these financial statements.

Cash flow statement

for the financial year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts			
Receipts from Government		36,779,563	33,979,371
Goods and services tax recovered from the ATO ⁽ⁱ⁾		1,054,459	1,032,071
Total receipts		37,834,022	35,011,442
Payments			
Payments to suppliers and employees		(36,521,244)	(33,952,159)
Total payments		(36,521,244)	(33,952,159)
Net cash flows from/(used in) operating activities	7.2.1	1,312,778	1,059,283
Cash flows from investing activities			
Purchases of non-financial assets		(1,194,006)	(1,819,326)
Net cash flows from/(used in) investing activities		(1,194,006)	(1,819,326)
Cash flows from financing activities			
Repayment of finance leases		(66,382)	(58,533)
Net cash flows from/(used in) financing activities		(66,382)	(58,533)
Net increase / (decrease) in cash and cash equivalents		52,390	(818,576)
Cash and cash equivalents at the beginning of the year		683,915	1,502,491
Cash and cash equivalents at the end of the year	7.2	736,305	683,915

The accompanying notes form part of these financial statements.

Note:

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

Statement of changes in equity

for the financial year ended 30 June 2018

	Accumulated Surplus \$	Contributed Capital \$	Total \$
Balance at 1 July 2016	2,687,208	7,895,562	10,582,770
Net result for the year	(654,683)	0	(654,683)
Balance at 30 June 2017	2,032,525	7,895,562	9,928,087
Net result for the year	55,547	0	55,547
Balance at 30 June 2018	2,088,072	7,895,562	9,983,634

The accompanying notes form part of these financial statements.

1. ABOUT THIS REPORT

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

Its principal address is:

Level 3, 12 Shelley Street
Richmond, Victoria 3121

Basis of preparation

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

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

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

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

Compliance information

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

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

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

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

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

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

The VCGLR receives grant funding from the Department of Justice and Regulation (DJR) 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	2018 \$	2017 \$
Grants	2.2	37,893,397	36,493,978
Repayment of grants ⁽ⁱ⁾		0	(897,924)
Total income from transactions		37,893,397	35,596,054

Note:

(i) In 2014–15, the VCGLR received a total of \$3.041m in the LaGIS trust fund. The 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 unspent funds were returned to the DJR in 2016 and 2017.

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.

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

Annotated income agreements

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

During the reporting period, the VCGLR received \$0.696m in annual grant under section 29 of the FMA agreement (2017: \$1.2m).

Summary of compliance with grant funding

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

	Grant funding advice \$	Funding available \$	Funding applied \$
2018			
Grant revenue - provision for outputs	37,893,397	37,893,397	37,893,397
Total funding	37,893,397	37,893,397	37,893,397
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

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	2018 \$	2017 \$
Employee expenses	3.1.1	24,936,907	24,229,157
Other operating expenses	3.2	10,598,940	10,348,317
Total expenses incurred in delivery of services		35,535,847	34,577,474

3.1.1 Employee benefits in the comprehensive operating statement

	2018 \$	2017 \$
Employee expenses		
Salaries and wages, annual leave and long service leave	22,093,112	20,953,256
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	1,118,350	1,073,520
Superannuation	1,698,648	2,168,271
Termination benefits	26,797	34,110
Total employee expenses	24,936,907	24,229,157

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 (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2018 \$	2017 \$
Current provisions		
Employee benefits – annual leave⁽ⁱ⁾		
Unconditional and expected to settle within 12 months	1,586,868	1,506,463
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	222,526	216,714
Employee benefits – long service leave⁽ⁱ⁾		
Unconditional and expected to settle within 12 months	279,153	207,359
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	2,927,053	2,956,834
Provisions relating to employee benefit on-costs		
Unconditional and expected to settle within 12 months	255,930	236,090
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	489,283	505,496
Total current provisions	5,760,813	5,628,956
Non-current provisions		
Employee benefits - annual leave and long service leave ⁽ⁱ⁾	705,941	735,414
Employee benefit on-costs	110,422	117,871
Total non-current provisions	816,363	853,285
Total provisions	6,577,176	6,482,241

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

	2018 \$	2017 \$
Opening balance	859,457	845,944
Additional provisions recognised	317,458	269,986
Reductions arising from payments/other sacrifices of future economic benefits	(304,799)	(256,473)
Closing balance	872,117	859,457
Current	742,356	741,586
Non-current	129,761	117,871
Total employee benefits related on-costs	872,117	859,457

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	
	2018 \$	2017 \$	2018 \$	2017 \$
Defined benefit plans⁽ⁱ⁾:				
Emergency Services and State Super	215,414	138,738	4,881	4,186
Defined contribution plans:				
VicSuper	1,096,433	1,028,063	21,445	17,503
Various other	236,503	556,094	14,144	423,687
Total	1,548,350	1,722,895	40,470	445,377

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

	2018 \$	2017 \$
Supplies and services		
IT Licence and maintenance	2,249,984	2,088,539
Professional services	3,674,090	3,680,726
Occupancy costs	2,708,670	2,884,401
Postage and advertising	134,883	170,600
Printing, stationery and office requisites	400,572	359,034
Training and development	183,301	131,263
Motor vehicle running costs	377,456	333,877
Telephone and other communication expenses	192,548	109,522
Travel and related expenses	167,279	75,004
Other	510,157	515,351
Total other operating expenses	10,598,940	10,348,317

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. Supplies and services are recognised as an expense in the reporting period in which they are incurred.

4. FINANCIAL INFORMATION ADMINISTERED ITEMS

4.1 Administered items

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

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

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

Collection of revenue on behalf of Government

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

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

Licence revenue

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

Public lottery

The Category 1 Public Lottery Licence expired on 30 June 2018. Tatts Group Limited has been awarded Victoria's public lottery licence for the next 10 years effective from 1 July 2018 unless surrendered or cancelled earlier in accordance with the *Gambling Regulation Act 2003*.

The premium payment of \$120 million for the new licence was received on 29 June 2018 and this amount is recognised as unearned income as at 30 June 2018 to be recognised over 10 years.

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 \$23 million is recognised as unearned income as at 30 June 2018 (2017: \$29 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 \$207.8 million is recognised as unearned income as at 30 June 2018 (2017: \$242 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 on 16 August 2012. The unearned income recognised is \$386.4 million as at 30 June 2018 (2017: \$480 million).

As part of the application process for the post-2022 gaming machine entitlements, the VCGLR collected deposits totalling \$56.3 million. The deposit will be used as the first instalment payment for the allocated entitlements. If the number of entitlements the venue operator is allocated is less than the nominated number and the deposit is greater than the amount required, the excess amount of the deposit will be refunded to the venue operator.

As at 30 June 2018, the process is still underway therefore there are no basis to determine refundable amount. The management assessment indicates that majority of the deposits will be used towards the first instalment for the post-2022 gaming machines entitlements however a provision for refund has been raised in payables with remaining deposits recognised as unearned income as at 30 June 2018.

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 2018, the casino tax payments from the new gaming products exceeded the \$35 million tax guarantee, resulting in no additional tax payment received by the State.
 - The contingent payment linked to the \$35 million minimum tax guarantee, should the increase in taxation not be achieved in the period, has been included in the calculation of the annual licence revenue.
- The following additional amounts on 1 September 2022:
 - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.0 per cent, then the Crown will pay to the State an amount of \$100 million, and
 - if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.7 per cent, then the Crown will pay to the State, in addition to the amount above, a further amount of \$100 million, and
 - \$250 million on 1 July 2033.

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

The unearned income recognised is \$403.8 million as at 30 June 2018 (2017: \$428.3 million).

As at 30 June 2018, a total of \$1,192.4 million is recognised as unearned income by the VCGLR (2017: \$1,181 million).

Transactions on behalf of Government

	2018 \$'000	2017 \$'000
Income		
Amounts collected/receivable on behalf of Government		
Appropriations-Payments made on behalf of the State	28,976	27,773
Gaming Taxation	1,020,851	975,346
Licence Fees	623	504
Minor Gaming	18	20
Keno	11,591	11,661
Casino Taxation and Licence Fees	221,878	226,943
Racing Taxation and Licence Fees	16,223	14,288
Tattersall's Lotteries	440,024	425,807
Tabcorp Supervision Fee	2,251	1,488
Tattersall's Supervision Fee	1,025	1,123
Venue Operators Supervision Fees	5,492	5,300
Lottery Premium Payment	3,524	3,524
Liquor Licence and Application Fees	2,496	2,412
Gambling Venue Licence Fees	93,664	93,761
Wagering and Betting Taxation and Licence Fees	71,869	73,989
Miscellaneous	12,150	14,302
Total amount collected/receivable	1,932,655	1,878,241
Expenses		
Amounts paid/payable on behalf of Government		
Payments made to other jurisdictions	(28,976)	(27,773)
Payments to consolidated fund	(1,933,854)	(1,779,276)
Bad and doubtful debts	(296)	(499)
Total amount paid/payable	(1,963,126)	(1,807,548)
Other economic flows		
Net gain/(loss) on financial assets	441	784
Total other economic flows	441	784
Total amount paid/payable including economic flows	(1,962,685)	(1,806,764)
Net Result from transactions (net operating balance)	(30,030)	71,477

Transactions on behalf of Government (cont'd)

	2018 \$'000	2017 \$'000
Assets		
Current Assets		
Receivables	154,474	158,508
Total current assets	154,474	158,508
Non-current Assets		
Receivables	229,749	239,087
Total non-current assets	229,749	239,087
Total assets	384,223	397,595
Liabilities		
Current liabilities		
Unearned income	158,351	148,854
Payables	7,563	2,310
Total current liabilities	165,914	151,164
Non-current liabilities		
Unearned income	1,034,074	1,032,167
Total non-current liabilities	1,034,074	1,032,167
Total liabilities	1,199,988	1,183,331
Net Assets	(815,765)	(785,736)
Equity	(815,765)	(785,736)

5. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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

5.1 Property, plant and equipment

	2018 \$	2017 \$
Leasehold improvements		
At Fair value	6,513,262	6,310,721
Less: Accumulated amortisation	(4,520,116)	(3,621,977)
	1,993,146	2,688,744
Computer and communication equipment		
At Fair value	1,011,015	890,157
Less: Accumulated depreciation	(632,931)	(463,801)
	378,084	426,356
Plant, equipment and vehicles		
At Fair value	564,193	529,823
Less: Accumulated depreciation	(252,236)	(158,808)
	311,957	371,015
Capital work in progress		
At Cost	0	132,436
	0	132,436
Total Leasehold improvements, equipment, vehicles and capital work in progress		
At Fair value	8,088,470	7,863,137
Less: Accumulated depreciation	(5,405,283)	(4,244,586)
Net carrying amount of property, plant and equipment	2,683,187	3,618,550

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 in the borrowings category.

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

Subsequent measurement

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

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

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

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

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

5.1.1 Depreciation and impairment

Charge for the period

	2018 \$	2017 \$
Depreciation of leasehold improvements, plant, equipment and vehicles		
Computer and communication equipment	173,313	165,640
Plant, equipment & motor vehicles	36,391	17,810
Amortisation expense		
Leasehold improvements-office fit-out	888,760	828,260
Leased vehicles	66,415	60,335
Internal-use software	1,129,973	898,783
Total depreciation and amortisation expense	2,294,852	1,970,828

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

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

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

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

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

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

Impairment

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

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

There were no indications of impairment during 2017–18.

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	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Opening balance	2,688,744	3,424,958	426,355	545,056	371,015	201,591	132,436	0	3,618,550	4,171,605
Additions	54,333	92,046	124,263	50,414	50,920	272,842	0	132,436	229,516	547,738
Capitalisation from capital works in progress	132,436	0	0	0	0	0	(132,436)	0	0	0
Disposals	0	0	0	(3,475)	0	(25,273)	0	0	0	(28,748)
Depreciation and amortisation expense	(888,760)	(828,260)	(173,313)	(165,640)	(102,806)	(78,145)	0	0	(1,164,879)	(1,072,045)
Closing balance	1,986,753	2,688,744	377,305	426,355	319,129	371,015	0	132,436	2,683,187	3,618,550

Note:

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

5.2 Intangible assets

	Intangibles		Capital work in progress		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Opening balance	5,486,861	3,129,924	375,914	2,126,700	5,862,775	5,256,624
Additions	0	0	1,015,409	1,544,430	1,015,409	1,544,430
Capitalisation from capital work in progress	1,104,342	3,295,216	(1,104,342)	(3,295,216)	0	0
Disposals	0	(39,497)	0	0	0	(39,497)
Amortisation expense ⁽ⁱ⁾	(1,129,973)	(898,783)	0	0	(1,129,973)	(898,783)
Net book value at end of financial year	5,461,230	5,486,861	286,981	375,914	5,748,211	5,862,775

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

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

- (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.

Impairment

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

There were no indications of asset impairment during 2017–18.

6. OTHER ASSETS AND LIABILITIES

Introduction

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

6.1 Receivables

	2018 \$	2017 \$
Current receivables		
Contractual		
Receivables	32,368	95,194
Statutory		
Amounts owing from the DJR ⁽ⁱ⁾	8,351,906	7,188,148
GST Input tax credits recoverable	122,681	72,856
Total current receivables	8,506,955	7,356,198
Non-current receivables		
Statutory		
Amounts owing from the DJR ⁽ⁱ⁾	816,363	853,285
Total non-current receivables	816,363	853,285
Total receivables	9,323,318	8,209,483

Note:

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

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

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

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

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

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

Receivables have an average credit period of 30 days and are received within the terms. There are no material financial assets that are individually determined to be impaired. Currently the VCGLR does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

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

6.2 Payables

	2018 \$	2017 \$
Contractual		
Creditors	616,283	17,740
Accrued wages and salaries	497,004	812,237
Accrued expenses	1,138,990	1,283,954
Total current payables	2,252,277	2,113,931
Total payables	2,252,277	2,113,931

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

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

Payables consist predominantly of creditors and accruals on wages and salaries and expenses and are recognised at amortised cost. Payables represent liabilities for goods and services provided to the VCGLR prior to the end of a period that are unpaid, and arise when the VCGLR becomes obliged to make future payments in respect of the purchase of these goods and services. Payables for supplies and services have an average credit period of 30 days and are paid within credit terms. There are no material payables that are determined to be impaired.

6.3 Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

7. FINANCING OUR OPERATIONS

Introduction

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

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

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

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

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

7.1 Leases

	Minimum future lease payments ⁽ⁱ⁾		Present value of minimum future lease payments	
	2018 \$	2017 \$	2018 \$	2017 \$
Other related finance lease liabilities payable				
Not longer than 1 year	113,335	73,299	0	0
Longer than 1 year and not longer than 5 years	172,387	232,895	0	0
Longer than 5 years	0	0	0	0
Minimum future lease payments	285,722	306,194	0	0
Less future finance charges	(9,751)	(14,760)	0	0
Present value of minimum lease payments	275,971	291,434	0	0
Represented by:				
Current lease liabilities			105,949	64,787
Non-current lease liabilities			170,022	226,647
			275,971	291,434

Note:

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

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

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

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

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

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

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.

Maturity analysis of leases

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
2018						
Finance lease liabilities	275,971	285,721	6,882	13,766	92,687	172,386
Total	275,971	285,721	6,882	13,766	92,687	172,386
2017						
Finance lease liabilities	291,434	306,194	6,108	12,217	54,974	232,895
Total	291,434	306,194	6,108	12,217	54,974	232,895

Notes:

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

7.2 Cash flow information and balances

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

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

	2018 \$	2017 \$
Cash and cash equivalents	736,305	683,915
Balance as per Cash Flow Statement	736,305	683,915

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

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

	2018 \$	2017 \$
Net result for the period	55,547	(654,684)
Non-cash movements:		
Depreciation and amortisation of non-current assets	2,294,852	1,970,827
(Gain)/loss on sale or disposal of non-current assets	0	68,244
Movements in assets and liabilities		
(Increase)/decrease in receivables	(1,113,835)	(1,616,683)
(Increase)/decrease in other non-financial assets	(157,066)	147,523
Increase/(decrease) in payables	138,347	782,142
Increase/(decrease) in provisions	94,935	361,913
Net cash flows from/(used in) operating activities	1,312,780	1,059,283

7.2.2 Non-cash financing and investing activities

During the reporting period VCGLR acquired motor vehicles through a finance lease arrangement to the value of \$51k (2017: \$273k).

7.3 Trust account balances

In 2014–15, the VCGLR received a total of \$3.041m in the LaGIS trust fund. The 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.

	Opening Balance 1 July 2017 \$	Total Receipts \$	Total Payments \$	Closing Balance 30 June 2018 \$
2018				
Controlled trusts				
LaGIS trust account	0	0	0	0
	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

7.4 Commitments for expenditure

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

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

7.4.1 Total commitments payable

	Operating Leases		Capital		Operating Commitments		Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Operating, capital and lease commitments								
Payable ⁽ⁱ⁾								
Less than one year	2,523,962	2,329,797	51,164	209,780	1,257,515	242,242	3,832,641	2,781,819
Longer than one year and not longer than five years	2,894,749	5,024,799	0	0	1,511,585	841,995	4,406,334	5,866,794
Five years or more	0	0	0	0	0	0	0	0
Total operating, capital and lease commitments	5,418,711	7,354,596	51,164	209,780	2,769,100	1,084,237	8,238,975	8,648,613

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, receivables and cash 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, 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 \$
2018			
Contractual financial assets			
Cash and deposits	736,305	0	736,305
Receivables ⁽ⁱ⁾	32,368	0	32,368
Total contractual financial assets	768,673	0	768,673
Contractual financial liabilities			
Payables ⁽ⁱ⁾	0	2,252,277	2,252,277
Borrowings			
Finance lease liabilities	0	275,971	275,971
Total contractual financial liabilities	0	2,528,248	2,528,248
2017			
Contractual financial assets			
Cash and deposits	683,915	0	683,915
Receivables ⁽ⁱ⁾	95,194	0	95,194
Total contractual financial assets	779,109	0	779,109
Contractual financial liabilities			
Payables ⁽ⁱ⁾	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

Notes:

(i) 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 \$
2018				
Contractual financial liabilities				
Financial Liabilities at amortised cost	0	8,854	0	8,854
Total contractual financial liabilities	0	8,854	0	8,854
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

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 2017–18.

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

	Financial institutions (AA-credit rating) \$	Government agencies (Triple A credit rating) \$	Other \$	Total \$
2018				
Contractual financial assets				
Cash and deposits	736,305	0	0	736,305
Receivables ⁽ⁱ⁾	0	0	32,368	32,368
Total contractual financial assets	736,305	0	32,368	768,673
2017				
Contractual financial assets				
Cash and deposits	683,915	0	0	683,915
Receivables ⁽ⁱ⁾	0	0	95,194	95,194
Total contractual financial assets	683,915	0	95,194	779,109

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.

Interest rate exposure of financial instruments.

	Interest rate risk exposure				
	Weighted average effective interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
2018					
Financial assets					
Cash and Deposits	1.5	736,305	0	736,305	0
Receivables ⁽ⁱ⁾	N/A	32,368	0	0	32,368
Total financial assets		768,673	0	736,305	32,368
Financial liabilities					
Payables ⁽ⁱ⁾	N/A	2,252,277	0	0	2,252,277
Borrowings					
Finance lease liabilities	3.3	275,971	275,971	0	0
Total financial liabilities		2,528,248	275,971	0	2,252,277
2017					
Financial assets					
Cash and deposits	1.5	683,915	0	683,915	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

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.

	2018 \$	2017 \$
Contingent liabilities		
Make good	331,646	80,055
Total contingent liabilities	331,646	80,055

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 2017-18 reporting period.

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

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

8.3.2 Fair value determination: Non-financial physical assets

Building leasehold improvements-office fit out, computer and communication equipment, plant and equipment and vehicles are held at fair value and classified as level 3 of the fair value measurement hierarchy. When building leasehold improvements-office fit out and plant and equipment 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 2018.

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

Description of significant unobservable inputs to Level 3 valuations

2018 and 2017	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 remained unchanged from 2017. There were no changes in valuation techniques throughout the period to 30 June 2018.

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 2018 the VCGLR had not made any ex-gratia payments (2017: 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.

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 2017 to 30 June 2018
Responsible Minister – Acting Minister for Consumer Affairs, Gaming and Liquor Regulation	
The Hon. James Merlino, MP	18 July 2017 to 28 July 2017
The Hon. Jaala Pulford, MP	5 December 2017 to 11 December 2017
The Hon. Lisa Neville, MP	25 December 2017 to 9 January 2018
The Hon. Martin Pakula, MP	10 January 2018 to 14 January 2018
The Hon. Martin Pakula, MP	5 February 2018 to 17 February 2018
The Hon. Martin Pakula, MP	3 April 2018 to 5 April 2018
The Hon. Liliana D'Ambrosio, MP	6 April 2018 to 8 April 2018
The Hon. John Eren, MP	9 April 2018 to 10 April 2018
The Hon. Jaala Pulford, MP	11 April 2018 to 17 April 2018
Commission Members:	
Mr Ross Kennedy, PSM (Chairperson)	1 July 2017 to 30 June 2018
Ms Helen Versey (Acting Chairperson)	1 July 2017 to 2 August 2017
Ms Helen Versey (Acting Chairperson)	11 February 2018 to 24 February 2018
Ms Helen Versey (Deputy Chairperson)	1 July 2017 to 30 June 2018
Ms Deirdre O'Donnell (Deputy Chairperson)	1 July 2017 to 30 June 2018
Mr Des Powell, AM (Commissioner)	1 July 2017 to 30 June 2018
Dr Dina McMillan (Commissioner)	1 July 2017 to 30 June 2018
Accountable Officer – Chief Executive Officer	
Ms Catherine Myers (Chief Executive Officer)	1 July 2017 to 30 June 2018
Mr Michael Everett (Acting Chief Executive Officer)	7 September 2017 to 11 September 2017
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	2 October 2017 to 15 October 2017
Mr Michael Everett (Acting Chief Executive Officer)	27 December 2017 to 14 January 2018
Mr Michael Everett (Acting Chief Executive Officer)	5 February 2018 to 28 February 2018
Ms Alexandra Fitzpatrick (Acting Chief Executive Officer)	29 March 2018 to 5 April 2018

Commissioners and Accountable Officer

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

Income Band	2018 \$	2017 \$
\$70,000 - \$79,999	0	1
\$120,000 - \$129,999	2	2
\$130,000 - \$139,999	0	1
\$140,000 - \$149,999	2	2
\$170,000 - \$179,999	1	0
\$280,000 - \$289,999	1	1
Total numbers⁽ⁱ⁾	6	7
Total amount⁽ⁱ⁾	1,001,785	1,047,209

Note:

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

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

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 provide a measure of full time equivalent executive officers over the reporting period.

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

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

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

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

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

Resignation of an executive in the past year had a significant impact on the total remuneration figure.

Remuneration of executive officers (including Key Management Personnel disclosed in Note 9.5)	Total remuneration	
	2018 \$	2017 \$
Short-term employee benefits	838,731	899,770
Post-employment benefits	81,302	84,039
Other long-term benefits	14,195	18,485
Termination benefits	8,252	0
Total remuneration	942,480	1,002,294
Total number of executives⁽ⁱ⁾	5.00	5.00
Total annualised employee equivalents (AEE)⁽ⁱⁱ⁾	4.60	4.76

Notes:

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

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

There were no payments made to contractors in executive roles.

9.5 Related parties

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

Related parties of the VCGLR include:

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

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

Significant transactions with government-related entities

The VCGLR received funding from DJR of \$37.8 million (2017: \$36.4 million) and made payments to the Consolidated Fund of \$1,933.8 million (2017: \$1,779.3 million). The payments to the Consolidated Fund 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
Ms Helen Versey	Deputy Chairperson
Ms Deirdre O'Donnell	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	2018 \$	2017 \$
Short-term employee benefits	1,124,297	1,158,075
Post-employment benefits	100,305	102,900
Other long-term benefits	11,641	11,415
Total⁽ⁱ⁾	1,236,243	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

	2018 \$	2017 \$
Victorian Auditor-General's Office		
Audit of the financial statements	138,500	135,000
Total remuneration of auditors	138,500	135,000

9.7 Subsequent events

The financial statements for the VCGLR are prepared for the period ended 30 June 2018. 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 2018 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 an 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 hedge accounting model and a revised impairment loss model to recognise expected 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. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
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, 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.

Standard/Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<i>AASB 2014-7 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.
<i>AASB 15 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. Note that amending standard <i>AASB 20158 Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	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.

Standard/Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
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 as follows:</p> <ul style="list-style-type: none"> • Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. • Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> (a) the entity's right to receive payment of the dividend is established; (b) it is probable that the economic benefits associated with the dividend will flow to the entity; and (c) the amount can be measured reliably. 	1 Jan 2018, 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.

Standard/Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i></p>	<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). 	<p>1 Jan 2018</p>	<p>The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.</p>
<p>AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i></p>	<p>This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.</p>	<p>1 Jan 2019</p>	<p>This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019–20 reporting period.</p>

Standard/Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<p>AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i></p>	<p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. 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.</p>	<p>1 Jan 2019</p>	<p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p>AASB 9</p> <ul style="list-style-type: none"> Statutory receivables are recognised and measured similarly to financial assets <p>AASB 15</p> <ul style="list-style-type: none"> The “customer” does not need to be the recipient of goods and/or services; The “contract” could include an arrangement entered into under the direction of another party; Contracts are enforceable if they are enforceable by legal or “equivalent means”; Contracts do not have to have commercial substance, only economic substance; and Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions.

Standard/Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	<p>The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.</p> <p>In the comprehensive operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>There will be no change for lessors as the classification of operating and finance leases remains unchanged.</p>

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>	<p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i>.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p>	1 Jan 2019	<p>The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds.</p> <p>This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p> <p>The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the comprehensive operating statement.</p>

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.

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 2017–18 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VCGLR's annual reports.

Supplies and services

Supplies and services generally represent 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.

