

Regulating Gambling and Liquor

Tabled 8 February 2017

This presentation provides an overview of the Victorian Auditor-General's report *Regulating Gambling and Liquor*.

About regulating gambling and liquor



Alcohol and gambling provide benefits for the community, but their misuse and abuse can cause significant harm

→ Government regulates industries to minimise risks

Risks

- **>1 200** deaths in Victoria were directly attributable to alcohol (2010)
- **35 563** of adult Victorians are problem gamblers (2014)

Benefits

- **\$1.9b** taxation and licence fees collected in Victoria (2015–16)
- **130 000** people employed in alcohol and gambling industries



Government seeks to ensure that licensees comply with the legislation and conditions of their licences.

Alcohol and gambling provide benefits for the community, but their misuse and abuse can cause significant harm for individuals, families and the community. Because of this, the government regulates both industries.

Industry participants must be licensed and government compliance-checking seeks to ensure that licensees comply with legislation and licence conditions.

Background



VCGLR has faced significant challenges since its establishment:



Reduction in budget and staff



Staff engagement and cultural challenges



Issues with its information technology

The Victorian Commission for Gambling and Liquor Regulation (VCGLR) was established in 2012 by bringing together the functions and resources of two predecessor regulators.

The aim was to create a more efficient and effective regulator, with an integrated and risk-based approach to regulation.

VCGLR has faced significant challenges since its establishment. For example, its budget and staff were reduced by around 30 per cent in the four years after 2012 and it inherited staff engagement and cultural challenges, and issues with its information technology.

What we looked at

4



VCGLR's:

- licensing and compliance functions
- performance measurement and reporting
- collaboration with the Department of Justice and Regulation and Victoria Police



Followed up on recommendations from:

- *Taking Action on Problem Gambling* (2010)
- *Effectiveness of Justice Strategies in Preventing and Reducing Alcohol-Related Harm* (2012)

We assessed VCGLR's licensing and compliance functions, its performance measurement and reporting, and its collaboration with other agencies.

We also followed up on action taken to address recommendations from two previous audits.

Licensing industry participants

Robust licensing is essential

But

- Limited progress moving towards a more risk-based approach
- Unable to demonstrate all licensing applications are properly examined and assessed before approval



VCGLR has recently addressed weaknesses in its quality assurance for licensing processes, and needs to continue its work developing a more robust, risk-based approach to scrutinising applicants

A robust licensing process is essential for VCGLR to meet its legislative and regulatory objectives which are focussed on minimising harm and ensuring industry participants are suitable.

VCGLR has made limited progress over the past two years in moving towards a more risk-based approach to licensing activities and is unable to demonstrate that all licensing applications are properly examined and assessed in line with legislative provisions before being approved.

VCGLR has recently acted to address weaknesses in its quality assurance for licensing processes and needs to continue developing a more robust, risk-based approach to scrutinising applicants.

Assuring compliance

6



VCGLR has not adequately monitored compliance with gambling and liquor legislation



Longstanding serious and systemic weaknesses in the design and operation of its compliance activities



Inadequate guidance and training for inspectors, and a lack of reliable data on inspections

Once licensed, it is important for industry participants to comply with legislative requirements and licence conditions so that harm minimisation policy objectives are achieved.

VCGLR has a critical role in monitoring and supporting this compliance, but we found that it has not monitored compliance with the gambling and liquor legislation adequately.

Its compliance activities are not sufficiently risk based because they have been focused on meeting a target number of inspections, rather than directing inspections to where non-compliance has a high risk or potential for harm.

VCGLR's compliance activities are also hampered by inadequate guidance and training for inspectors, and a lack of reliable data on inspections.

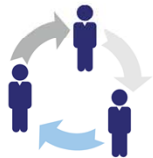
VCGLR has identified and started to address many of these issues. However, these actions were not sufficiently advanced for us to assess whether they will improve its effectiveness.

Casino supervision

7



Level of focus on casino does not reflect risk.



Rotated inspector teams without providing adequate oversight or guidance



VCGLR is currently taking action to address issues

VCGLR has a key role in regulating and monitoring the operation of the Melbourne Casino but cannot demonstrate that its supervision is efficient or effective.

For example, VCGLR rotates all compliance inspector teams through the casino, but has not supported them with adequate training, guidance and oversight.

VCGLR has recognised these issues and commenced action to address them.

Measuring performance

8



VCGLR has improved its internally reported performance measures

But



VCGLR's publicly reported performance information provides limited insight into its effectiveness



VCGLR needs to improve its public performance reporting

VCGLR has improved its internally reported performance measures to better measure the impact and effectiveness of its regulatory activities

However, VCGLR's publicly reported performance information is focused on the number of activities it performs and so provides limited insight into its effectiveness. VCGLR needs to improve its public reporting to provide genuine insight into its effectiveness as a regulator.

Summary of Recommendations

Twelve recommendations directed to VCGLR, one recommendation directed to VCGLR and Victoria Police, and one recommendation directed to the Department of Justice and Regulation to improve:



VCGLR's approach to assessing liquor and gambling license applications (Recommendations 1 to 6)



the management and targeting of compliance activities to achieve a more risk-based approach and focus on achieving the objectives of harm minimisation (Recommendations 7 to 10)



VCGLR's approach to casino supervision, including providing better training for compliance inspectors (Recommendation 11)



VCGLR's collaboration with Victoria Police (Recommendation 13)



the quality of publicly reported performance information on VCGLR's effectiveness and the impact of liquor and gambling strategies and initiatives (Recommendations 12 and 14).

VCGLR is taking action to address many of the issues raised in this and prior audits and reviews, but the scale of required reform is still significant.

Our recommendations seek to improve:

- VCGLR's licensing framework and processes for assessing applications
- the management and targeting of VCGLR's compliance activities to achieve a more risk-based approach
- VCGLR's approach to casino supervision
- VCGLR's collaboration with other agencies
- the quality and meaningfulness of publicly reported performance information on VCGLR's effectiveness and the impact of liquor and gambling strategies and initiatives.

The agencies have accepted all the recommendations.

For further information, please view the full report on
our website: www.audit.vic.gov.au

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