Appendix C:
Review scope and method

Scope of this review

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
DTF	DTF advises the government on the Budget and commercial matters, including valuation, negotiation strategy and assessment of value for the state.
DPC	DPC participates in steering committees and working groups as part of the licensing process.
DJCS	DJCS administers the legislative framework and supports the Minister on licensing matters.
VGCCC	VGCCC oversees regulatory compliance, including monitoring the licensee’s adherence to licence conditions and responsible gambling obligations.

Our review objective

To assess whether the public lottery licence extension optimised value for the state.

What we examined

Agencies' actions and advice to the government relating to the 40-year public lottery licence extension. This included examining:

- the decision to adopt a bilateral negotiation process
- agencies' actions to support competitive tension
- alignment with commercialisation and probity policies
- how value for money was assessed.

We examined these areas by reviewing or analysing:

- documentation explaining the options considered for the lottery contract, including supporting financial analysis, scenario testing and modelling
- documentation related to the consideration of competition for the lottery contract, and strategies for maintaining competitive tension during negotiations
- documentation relating to the commercialisation process and reports prepared by probity advisers and/or auditors.

Why we conducted this review

In May 2026 it was announced that the Victorian Government had reached agreement with The Lottery Corporation on a 40-year extension of the Victorian public lottery licence. The existing 10-year agreement with The Lottery Corporation was set to expire on 30 June 2028. As part of the agreement, The Lottery Corporation will pay an upfront premium to the Victorian Government of $1.145 billion.

The extension was awarded following a period of exclusive, bilateral negotiations between the Victorian Government and The Lottery Corporation.

The transaction warrants examination to assess whether the licensing strategy was appropriate, sufficient competitive tension was achieved during negotiations, and whether the resulting agreement optimised value for money for the state.

Aspects of performance examined

Our mandate for performance audits and assurance reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this review we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
○	●	○	○

Key:

- ● Primary focus
- ● Secondary focus
- ○ Not assessed

Conducting this review

Assessing performance

To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria	
1. Was the decision to adopt a bilateral negotiation process supported by robust evidence and advice?	1.1	The benefits and risks of potential competition for the lottery licence extension were credibly assessed by agencies as part of an options analysis.
	1.2	A sound evaluation framework and scenario analysis was used by agencies to assess and recommend options.
	1.3	Agencies provided sound advice to the government on the benefits and risks of the recommended approach.
2. Did DTF and DJCS follow relevant commercialisation and probity policies and processes?	2.1	The licence process complied with relevant policies and frameworks.
	2.2	The exclusive bilateral negotiation process with the incumbent acted to support competitive tension, including by maintaining a credible threat of competition.
3. Did the 40-year public lottery licence extension optimise value?	3.1	The extent and nature of benchmarking and structured price testing established a credible floor price.
	3.2	Risk allocation was appropriate and any risks retained by the state reflect the price paid.

Our methods

As part of the review we:

- requested and reviewed documents provided by agencies
- analysed spreadsheet models
- conducted interviews.

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Compliance

We conducted our review in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain limited assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

Cost and time

The full cost of the review and preparation of this report was $200,318.

The duration of the review was 4 months from initiation to tabling.