



# **Gaming Supervisory Authority**

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**Sixth Annual Report 2000–01**



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## 1. INTRODUCTION

This is the sixth annual report made by the Gaming Supervisory Authority (“the Authority”) since it was established as a Crown instrumentality on 1 July 1995 by section 4 of the *Gaming Supervisory Authority Act 1995*. The reporting period for this report is 1 July 2000 to 30 June 2001.

The Authority is required to make annual reports under a number of statutory provisions.

Section 71 of the *Casino Act 1997* requires the Authority each year to prepare and present to the Minister a report on its activities in relation to the Adelaide Casino during the preceding financial year. A report under this section must include—

- (a) details of any statutory default occurring during the course of the relevant financial year; and
- (b) details of any disciplinary action taken by the Authority; and
- (c) the Liquor and Gaming Commissioner’s report on the administration of the Casino Act together with any observations on that report that the Authority considers appropriate.

Section 74(1) of the *Gaming Machines Act 1992* requires the Authority each year to submit to the Minister a report on the performance of its functions under the Gaming Machines Act during the financial year ending on the previous 30 June.

Section 52 of the *Racing (Proprietary Business Licensing) Act 2000* requires the Authority each year to prepare and present to the Minister a report on its activities in relation to licensed businesses during the preceding financial year. A report under this section must include—

- (a) a copy of the records of default incidents during the preceding financial year; and
- (b) the Liquor and Gaming Commissioner’s report on the administration of the Racing (Proprietary Business Licensing) Act together with any observations on that report that the Authority considers appropriate.

The Authority is also required to provide a report to the Minister on its operations pursuant to section 66 of the *Public Sector Management Act 1995*. These operations include functions performed by the Authority under the *Racing Act 1976*.

Except in the case of the Racing (Proprietary Business Licensing) Act, which is committed to the Minister for Recreation, Sport and Racing, the relevant Minister for all purposes during the reporting period is the Treasurer.

The Authority considers it appropriate and convenient to report annually in a single document and, as it sees no impediment in the legislation for this to occur, proposes to discharge its statutory reporting responsibilities in one document.

## 2. PRESIDING MEMBER'S REPORT

### 2.1 The Year in Review

This is the sixth annual report of the Gaming Supervisory Authority.

The Authority's primary responsibility is to ensure that an effective and efficient system of supervision is established and maintained over the operation of the licensees under each "prescribed Act". The prescribed Acts, at the end of the reporting period, were:

- ◆ *Casino Act 1997*;
- ◆ *Gaming Machines Act 1992*;
- ◆ *Racing Act 1976* (the Authority became responsible for functions under this Act on 1 October 2000);
- ◆ *Racing (Proprietary Business Licensing) Act 2000* (the Authority became responsible for functions under this Act on 19 January 2001).

During 2000–01 significant changes took place in the regulation of the gambling in South Australia. Key highlights for the year include:

- ◆ The Authority assumed the licensing and rule making functions of the Racing Industry Development Authority following the disbandment of that body on 1 October 2000.
- ◆ The passage of the *Authorised Betting Operations Act 2000* in December 2000 foreshadowed an increased role for the Authority and the Liquor and Gaming Commissioner in the regulation of wagering on horse, harness and greyhound racing. (This legislation had not come into operation at the time of writing.)
- ◆ The casino completed its first full year under the ownership of Sky City Limited.

Throughout the year the Authority has continued to build on and improve its relationship with key stakeholders, including the Treasurer, the Liquor and Gaming Commissioner, the Department of Treasury and Finance (DTF), the South Australia Police, the State Supply Board, Independent Gaming Corporation Limited (the gaming machine monitor licence holder), the SA Branch of the Australian Hotels Association, Clubs SA and SkyCity Adelaide Pty Ltd (licensee of the Adelaide Casino).

With the licence for the Adelaide Casino now being owned by a company which is also involved in three casino projects in New Zealand (the Sky City Auckland and Sky Alpine Queenstown casinos are in operation while the Hamilton casino is under development), the Authority has also recognised new key stakeholder relationships with that country's regulatory authorities for casinos. Our liaison with the Casino Control Authority and the Department of Internal Affairs in New Zealand has already proven valuable.

I would like to thank all of these individuals and organisations (and those that I have not specifically mentioned here) for their support and assistance.

The Authority has particularly appreciated the assistance of the Liquor and Gaming Commissioner, Mr Bill Pryor, and his staff throughout the year.

In September 2000, the Authority's Executive Director of three years, Leanne Stewart, left to pursue study and other employment opportunities. Ms Stewart made a valuable contribution to the development of the Authority during her term and she has been missed. The requirements of the statutory position of Secretary were reviewed, and a national search for a new Director was undertaken and completed in September. The Authority is grateful for the assistance provided in this matter by the Office of the Commissioner for Public Employment.

I would also like to take this opportunity to personally thank my fellow Authority Members and the staff of the Authority for all their efforts during the year. I particularly thank the Director, Robert Chappell, for the commitment, enthusiasm and wisdom which he has applied to the work of the Authority.

## 2.2 The Year Ahead

Looking forward into 2001–02, there are several matters that are likely to dominate the work of the Authority. They are:

- ◆ development of advertising and responsible gambling codes of practice for the casino, gaming machines, wagering and lotteries industries;
- ◆ implementation of a co-ordinated research program focused on eliminating or reducing problem gambling;
- ◆ implementation of a voluntary barring order process for problem gamblers;
- ◆ approval of the sale of the SA TAB business to TAB Queensland Limited; and
- ◆ implementation of a robust probity regime for participants in wagering.

The first three matters are a direct consequence of the *Statutes Amendment (Gambling Regulation) Act 2001* which was passed by Parliament on 31 May and comes into operation on 1 October 2001.

On that date, the Authority will, as the new Independent Gambling Authority, be welcoming two new members, Lynette Rasheed and Dale West, who will add to the knowledge and capacity of the Authority as it takes on its new social responsibilities in gambling regulation.

Growing concern, both in Australia and internationally, about the social impacts of gambling is leading to the Authority and its counterparts being given challenges beyond the narrow confines of suitability and technical regulation. We look forward to that challenge with enthusiasm and, given the innovative and novel approach taken by Parliament, expect to be reporting in some detail for the 2001–02 year.

In addressing the challenge, the Authority looks forward to receiving the support of both its current stakeholders and the people and groups who will come into contact with the Authority for the first time this year. In particular, the Authority will be consulting with stakeholders on the direction to be taken for practical research to support strategies for the minimisation of the harm arising from the impact of gambling in the general community.

The Authority is looking forward to meeting this challenge.

**David Green**

PRESIDING MEMBER

**3. ROLE AND PERFORMANCE**

**3.1 Legislation**

The Authority is established under the *Gaming Supervisory Authority Act 1995* and has powers and functions pursuant to the *Casino Act 1997*, the *Gaming Machines Act 1992* (both committed to the Treasurer), the *Racing Act 1976* (committed to the Minister for Government Enterprises and the Minister for Recreation, Sport and Racing) and the *Racing (Proprietary Business Licensing) Act 2000* (committed to the Minister for Recreation, Sport and Racing).

The *Authorised Betting Operations Act 2000*—which will, when it is proclaimed, make the Authority responsible for the regulation of the major betting operations licensee, on-course totalisator licensees and bookmaking licensee—is committed to the Treasurer.

The *Statutes Amendment (Gaming Regulation) Act 2001* will, when it comes into operation on 1 October 2001, change the name of the *Gaming Supervisory Authority Act 1995* to the *Independent Gambling Authority Act 1995* and re-establish the Authority, with an additional two members, as the Independent Gambling Authority.

**3.2 Functions and objectives**

The Gaming Supervisory Authority was established on 1 July 1995, pursuant to the Gaming Supervisory Authority Act. The Authority is responsible among other things to ensure that an effective and efficient system of supervision is established and maintained over the operations of licensees under the Casino Act, Gaming Machines Act and Racing Act (these are the “prescribed Acts” under which licences have been granted) and to advise the Treasurer on matters relating to those operations Acts.

The Liquor and Gaming Commissioner is responsible to the Authority to ensure that the operations of the Adelaide Casino are subject to constant scrutiny (Casino Act, section 53) and is also responsible to the Authority for the constant scrutiny of the operations under all classes of gaming licences (Gaming Machines Act, section 5).

The provisions of the Gaming Supervisory Authority Act are designed to provide the Authority with an overarching supervisory responsibility for all aspects of the operation of the Adelaide Casino and gaming machines, with the power to give directions to all licensees and to hold inquiries into any aspect of the Casino or the gaming machine industry.

(The Liquor and Gaming Commissioner retains independence with respect to the exercise of statutory discretions under the Casino Act, Gaming Machines Act and Racing Act.)

Section 11 of the Gaming Supervisory Authority Act says:

**11. Functions and powers of Authority**

- (1) The functions of the Authority are—
  - (a) to ensure that an effective and efficient system of supervision is established and maintained over the operations of licensees under prescribed Acts; and
  - (b) to advise, and make recommendations to, the Minister on matters relating to the operations of licensees under prescribed Acts or on any aspect of the operation, administration or enforcement of prescribed Acts; and
  - (c) to perform other functions assigned to the Authority under this Act or a prescribed Act or by the Minister.
- (2) The Authority has power to do anything that is necessary for, or incidental to, the exercise of its functions.
- (3) The Authority may require the Commissioner to furnish the Authority with a report on any matter relating to—
  - (a) the operations of a licensee under a prescribed Act; or
  - (b) the operation, administration or enforcement of a prescribed Act.
- (4) The Authority may give the Commissioner directions in relation to the discharge by the Commissioner of his or her responsibility to the Authority under a prescribed Act, but is not empowered to direct or in any way influence the Commissioner in the exercise by the Commissioner of a discretion under a prescribed Act.

Section 13 of the Gaming Supervisory Authority Act provides for inquiries by the Authority:

**13. Inquiries by Authority**

- (1) The Authority—
  - (a) may hold an inquiry whenever it considers it necessary or desirable to do so for the purpose of carrying out its functions; and
  - (b) must, if requested to do so by the Minister, hold an inquiry into any matter relating to—
    - (i) the operations of a licensee under a prescribed Act; or
    - (ii) the operation, administration or enforcement of a prescribed Act.
- (2) On completing an inquiry under this section, the Authority must submit to the Minister a report of the inquiry and the findings of the Authority on the inquiry, and any such report may include recommendations for action to be taken.
- (3) Unless the Authority recommends that the report should remain confidential, the Minister must, within six sitting days of receiving a report under subsection (2), cause a copy of the report to be laid before each House of Parliament.

**3.3 Organisation of the Authority**

Section 4 of the Gaming Supervisory Authority Act establishes the Authority and section 5 provides for its constitution.

### *3.3.1 Composition of the Authority*

In accordance with section 5 of the Gaming Supervisory Authority Act, the Authority consists of 5 members appointed by the Governor of South Australia on the nomination of the Treasurer.

- ◆ At least one member must be a man and at least one must be a woman.
- ◆ The presiding member must be a legal practitioner of at least 10 years standing or a person who has held judicial office.
- ◆ The four other members of the Authority must together have, in the Minister's opinion, the abilities and experience required for the effective performance of the Authority's functions.
- ◆ The Governor may appoint a deputy for each member to act in the absence of the member. A person appointed as deputy for the presiding member must have the same qualifications for appointment.
- ◆ A person who has a direct or indirect pecuniary or personal interest in a licensee or a licensed business is ineligible for appointment to the Authority.
- ◆ A member is appointed for a term (not exceeding three years) and is on the expiration of the term of office, eligible for reappointment.

Membership of the Authority as at 30 June 2001 was as follows:

**David John Green, B Comm, LL B (Hons), LL M, MBA (Hons), FTIA, FAICD, AIMM, PNA:** appointed member from 1 July 1995, Deputy Presiding Member from 24 July 1997, Acting Presiding Member from 1 April 1999 and Presiding Member from 27 January 2000; reappointed for 3 years from 30 June 2001.

**Anthony Maxwell Pederick, FCPA, FCIS, FCIM, FTIA, FAICD, JP:** first appointed from 1 July 1995; reappointed for 3 years from 30 June 2001.

**Melinda Jane Jeffreys, Assoc Dip Bus, FAHRI, AFAIM, MAICD:** first appointed from 16 December 1995 and, on 20 September 2001; reappointed for three years from 16 December 2001.

**Juliet Helena Brown, LL B, MAICD:** appointed 24 July 1997 and reappointed for 3 years from 24 July 2000.

**Wayne Lindsay Stokes:** appointed for 3 years from 27 January 2000.

On 20 September 2001, the Governor appointed two additional new members:

**Lynette Rasheed:** appointed for 3 years from 1 October 2001;

**Dale West:** appointed for 3 years from 1 October 2001.

There have been no appointments of deputies in force during the reporting period or since.

### *3.3.2 Remuneration*

The Governor determines the Authority's remuneration. Remuneration levels are set according to Government guidelines made in consultation with the Commissioner for Public Employment.

The current part-time salary levels for appointees to the Authority is—

- ◆ presiding member, \$27 200 per annum;
- ◆ other members, \$18 700 per annum.

These levels have been determined in the context of a schedule of 12 meetings per year being adequate for the discharge of the Authority’s ordinary business. In past years, particular activities (such as those surrounding the approval of a new licensee for the casino) have involved members in substantial additional work.

On 13 December 1999, the Commissioner for Public Employment recommended for the approval of the Governor an additional fee of \$100 per hour up to 200 hours per member per year for work of this nature. During the reporting period the total of these additional fees paid has been \$18 849. These payments related to extra meetings required for the approval of SkyCity Adelaide Pty Ltd as licensee of the Adelaide Casino. The majority of these payments related to meetings held in the 1999–2000 financial year.

### 3.3.3 Meetings of the Authority

Under section 12 of the Gaming Supervisory Authority Act, the presiding member (or deputy) and two other members constitute a quorum of the Authority.

The Authority holds regular meetings, on a monthly basis and as required. Where necessary the Authority, or individual Members of the Authority, may hold special meetings outside of the regular meeting timetable to discuss issues of importance, meet with key stakeholders or hear appeals.

The following table summarises the key categories of meetings held by the Authority, and the number attended by each Member. Members and staff of the Authority also attended several gaming conferences and other educational and development activities during the year.

Total number of meetings held	3	14	1
	<i>Meeting with Treasurer</i>	<i>Formal meeting</i>	<i>Telephone meeting</i>
Mr D J Green	3	14	1
Ms J H Brown	3	13	1
Ms M J Jeffreys	2	12	1
Mr A M Pederick	3	13	1
Mr W L Stokes	3	13	1

### 3.4 Staffing and administration

The Authority is supported by a small office staffed by employees of the Department of Treasury and Finance. The Director, Robert Chappell, is responsible for the management of the office and also holds the statutory appointment of Secretary under section 10 of the Gaming Supervisory Authority Act. As at 30 June 2001, there were two staff employed in the office. **Appendix A** provides a profile of staff remuneration levels as at 30 June 2001.

Conditions of employment of staff in the office are determined by the Public Sector Management Act, the South Australian Public Sector Salaried Employees Interim Award, the Department of Treasury and Finance Enterprise Agreement 1997 and the South Australian Government Wages Parity Enterprise Agreement 1999.

From time to time, the Authority establishes special project teams (as with suitability investigations for major licensees). Due to the highly specialised and short-term nature of this work, these teams are made up of external consultants or contractors and seconded staff from other agencies—such as the South Australia Police. The arrangements for these teams are made and disclosed in line with normal South Australian government practice.

### **3.5 Relationship with other agencies and entities**

To assist with the execution of its responsibilities, the Authority works closely with staff of the Office of the Liquor and Gaming Commissioner, the South Australia Police and the DAIS Contract Services Unit (which provides support for the State Supply Board in its role under the Gaming Machines Act). The Authority also meets with representatives of the gaming, wagering and casino industries on a regular basis.

The Authority receives a continuous flow of information on casino, gaming machine and wagering matters from the Liquor and Gaming Commissioner, through a formalised and structured monthly report process. In addition, the Commissioner and key members of his staff attend meetings of the Authority on a quarterly basis and as events otherwise require. This formal liaison is supplemented through weekly meetings at officer level.

The Authority has also continued to maintain and build on its contact with other Australian and overseas gaming jurisdictions on a wide variety of matters. It is the view of the Authority that exchange of information between itself and other Australian and international gaming jurisdictions is vital.

Section 5 of the Gaming Machines Act provides that the Liquor and Gaming Commissioner is responsible to the Authority for the constant scrutiny of the operations under all licences (of all classes) under the Act. Inspectors from the Commissioner's Office visit licensed premises on a regular basis to conduct compliance audits with a view to ensuring observance of both the letter and the spirit of the Act and any licence conditions imposed by the Commissioner.

Section 53 of the Casino Act provides that the Liquor and Gaming Commissioner is responsible to the Authority to ensure that the operations of the Casino are subject to constant scrutiny. The Commissioner currently has a full-time inspectorate located within the Adelaide Casino and it is by this means that he provides ongoing scrutiny over the operations of the casino.

Rules made under the Racing Act give the Commissioner inspectorial functions for on-course bookmakers and totalizators.

During the year, the Authority received a detailed presentation from the Commissioner on the inspection regimes for liquor and gaming, casino and wagering (racing) activities. The outcomes of these inspection activities form part of the structured monthly reports received by the Authority.

The Authority is aware that the Commissioner is examining options for further streamlining and integrating the inspection functions for hotel, club and casino gaming and wagering, particularly noting the requirements to apply under the Authorised Betting Operations Act when the sale of the SA TAB business is completed.

In carrying out its role in relation to gaming machines in hotels and clubs, the Authority monitors the following licence holders under the Gaming Machines Act:

- ◆ State Supply Board, the holder of the gaming machine supplier's licence and the gaming machine service licence (see sections 14(1)(c) and (e) and 26(1) of the Gaming Machines Act);
- ◆ Independent Gaming Corporation Limited, the holder of the gaming machine monitor licence (see sections 14(1)(d) and 25(1) of the Gaming Machines Act);
- ◆ Getronics Australia Pty Ltd and AWA Gaming Systems Pty Ltd, who are the two approved agents of the State Supply Board as the holder of the gaming machine service licence (see section 26(3) of the Gaming Machines Act).

As part of carrying out its roles under the Casino Act, the Authority has regular attendance at its meetings by senior managers of SkyCity Adelaide Pty Ltd.

In carrying out its roles under the Racing Act, the Authority has consulted with representatives of the South Australian Bookmakers League Inc, the controlling authorities for racing, individual registered and unregistered racing clubs and SA TAB Pty Ltd.

In developing a licensing structure for proprietary racing, staff of the Authority have had discussions with potential licensees.

### **3.6 Strategic directions**

The Authority is constantly reviewing its strategic directions in line with the functions and objectives established for the Authority under the relevant legislation and noting the directions taken by the Government in gambling policy.

### **3.7 Fraud**

There were no instances of fraud detected during the year. The Authority complies with DTF policy to prevent fraud.

## **4. HUMAN RESOURCES**

### **4.1 Staff training and development**

The Authority is committed to the development and training of its staff and an allocation is made in the Authority's operating budget for this purpose. Individual staff members' training needs were regularly assessed throughout the year as part of the Authority's staff performance appraisal program. Staff have a documented individual development plan that is reviewed 6 monthly. Staff and members attended

a variety of courses, conferences and seminars throughout the year to increase their skills and attain expertise in relevant areas of responsibility.

#### **4.2 Leave**

DTF has advised the Authority that the average number of sick days per full time equivalent employee taken during the year was 4.69 days and that no family carer leave was taken (meaning that the average days per full time equivalent employee was zero).

#### **4.3 Equal employment opportunity**

The Authority is committed to equal employment opportunity principles and complies with DTF policy for this purpose.

#### **4.4 Consultancies**

Set out in **Appendix B** is a summary of the external consultants that have been engaged by the Authority during the course of the year.

#### **4.5 Occupational health and safety**

The Authority is committed to providing a safe and hazard free work environment for its staff. There were no work related incidents or claims made in the period.

#### **4.6 Overseas travel**

In July 2000, Mr David Green (Presiding Member) and Ms Leanne Stewart (the then Executive Director) attended meetings in Auckland, New Zealand, with that country's casino regulators and with Sky City Limited (parent company of the Adelaide Casino licensee). The Executive Director also attended meetings of the "Casino Best Practice" working party.

In August 2000, the then Executive Director returned to New Zealand for further meetings of the "Casino Best Practice" working party.

In October 2000, Mr David Green (Presiding Member) presented a paper at the International Gaming Law Conference of the International Association of Gaming Attorneys and the International Association of Gaming Regulators, held in Italy. The Presiding Member also attended the World Gaming Congress held in Las Vegas, Nevada as part of the same trip.

In February 2001, at the invitation of the New Zealand CCA, Mr Green presented at a planning workshop in Auckland. (The Authority was briefed on and noted the purpose of this travel. The entire cost was borne by the New Zealand CCA.)

In March 2001, the 5 members of the Authority and the Director spent four days in New Zealand, meeting with the local regulators—the New Zealand CCA (Auckland) and the Department of Internal Affairs (Wellington)—, senior management of the owner of the SkyCity Adelaide Casino, Sky City Limited (Auckland), and inspecting four casino sites in Auckland, Christchurch and Queenstown.

The Director returned to New Zealand in May 2001 for further discussions with the authorities responsible for casinos and Sky City Limited, and to observe a public hearing on the social impacts of an expansion of the Sky City Auckland casino.

In May 2001, Mr Tony Pederick (Member) attended the North American Gaming Regulators Association Conference in Biloxi, Mississippi.

In June 2001, Mr Wayne Stokes (Member) attended the Gaming Regulators European Forum meeting in Stockholm.

The cost of this travel is summarised in **Appendix C**.

## 5. FINANCIAL PERFORMANCE

### 5.1 Financial report

Pursuant to section 41 of the *Public Finance and Audit Act 1987* and Treasurer's Instruction No. 19, DTF's Director, Financial Services prepares annual financial statements for the Authority and forwards them for audit by the Auditor-General. The Authority's annual financial statements and the independent audit opinion of the Auditor-General on those statements are contained in **Appendix D**.

### 5.2 Contractual arrangements

The Authority did not enter into any contractual arrangements where the total value of the contract exceeded \$4 million or the contract extended beyond a single year.

### 5.3 Account payment performance

The DTF Financial Services Branch manages the payment of accounts on behalf of the Authority. Creditor accounts are certified and approved for payment by staff of the Authority and forwarded to DTF for processing against the Authority's operating account. The following table sets out the account payment performance for the reporting period.

<i>Particulars</i>	<i>Number paid</i>	<i>%</i>	<i>Amount paid</i>	<i>%</i>
Paid by the due date	333	91%	\$287 347.74	91%
Paid within 30 days or less from the due date	22	6%	\$6 535.94	2%
Paid more than 30 days from the due date	12	3%	\$23 306.68	7%
Total	367	100%	\$317 190.36	100%

*Note: The due date is defined as per clause 11.2 of the Treasurer's Instruction 11—Payment of Accounts. Unless there is a discount or a written agreement between the public authority and the creditor, payment should be within thirty days of the date of the invoice or claim.*

### 5.4 Freedom of information

Pursuant to section 17(3) of the Gaming Supervisory Authority Act, the *Freedom of Information Act 1991* does not apply to the Authority.

## **6. CASINO GAMING**

### **6.1 Reporting required by the Casino Act**

This section deals with the matters on which the Authority is, by section 71 of the Casino Act, required to report.

#### ***6.1.1 Statutory default***

No statutory defaults under Part 7 Division 1 of the Casino Act occurred during 2000–01.

#### ***6.1.2 Disciplinary action***

No disciplinary action was taken by the Authority under Part 7 Division 5 of the Casino Act during 2000–01.

#### ***6.1.3 Report of the Liquor and Gaming Commissioner***

Under section 71 of the Casino Act, the Liquor and Gaming Commissioner is required to prepare and present to the Authority a report on the administration of the Casino Act during the preceding financial year and the Authority is required to publish that report together with any observations on that report that the Authority considers appropriate. A copy of the written report to the Authority from the Liquor and Gaming Commissioner dated 20 September 2001 is attached as **Appendix E**. The Authority has considered this report and has no specific observations to make on it.

### **6.2 General power of the Authority to issue directions**

Section 47 of the Casino Act authorises the Authority, by notice in writing served on the licensee, to give directions to the licensee about the management, supervision and control of any aspect of the operation of the licensed casino.

The Authority, by holding meetings and discussions with various Government agencies and the management of SkyCity Adelaide, resolved a number of matters during the reporting period. No formal directions were issued under this section.

### **6.3 Approvals**

The Authority issued the following approvals relating to the Adelaide Casino during the course of the year:

- ◆ The Authority gave three separate notices of exemption for the purposes of section 29 of the Casino Act.
- ◆ The Authority made a notification under section 40(1)(c) of the Casino Act requiring the licensee to have an automated table game management system approved by the Liquor and Gaming Commissioner.

#### 6.4 Barrings and reviews

Section 65 of the Casino Act provides:

##### 65. Review of Commissioner's decision

- (1) A person aggrieved by a decision of the Commissioner under this Act may, within 30 days after receiving notice of the decision, apply to the Authority for a review of the decision.
- (2) A decision includes (for example) the refusal of an application or the revocation of an approval.
- (3) On an application under this section, the Authority may confirm, vary, revoke or reverse the decision under review.

During the course of the financial year, the Authority received three formal barring appeals. One of these was reviewed and revoked by the Commissioner prior to hearing. The others were concluded by hearing, both being successful in part.

#### 6.5 Complaints

Reports of complaints made by Casino patrons were received from the Casino Inspectorate, Office of the Liquor and Gaming Commissioner.

None of these complaints was considered to warrant any formal action being taken by the Authority.

### 7. GAMING MACHINES

#### 7.1 Report on performance of functions of the Authority

Regular written reports were received at the request of the Authority from the various licence holders and other agencies, including the Office of the Liquor and Gaming Commissioner. None of these reports was considered to warrant any formal action being taken by the Authority during the course of the year.

The following classes of licences are provided for in section 14 of the Gaming Machines Act:

- (a) **Gaming machine licence**—which authorises the licensee to possess approved gaming machines on premises designated in the licence and to conduct gaming on those machines;
- (b) **Gaming machine dealer's licence**—which authorises the licensee to manufacture gaming machines and prescribed gaming machine components and to sell or supply to the State Supply Board, or to another holder of a gaming machine dealer's licence, approved gaming machines, prescribed gaming machine components and gaming equipment;
- (c) **Gaming machine supplier's licence**—which authorises the licensee, acting through an approved agent, to purchase from a licensed gaming machine dealer, and to sell or supply to the holders of gaming machine licences, approved gaming machines, prescribed gaming components and gaming equipment;

- (d) **Gaming machine monitor licence**—which authorises the licensee to provide and operate an approved computer system for monitoring the operation of all gaming machines operated pursuant to gaming machine licences under the Act;
- (e) **Gaming machine service licence**—which authorises the licensee to install, service and repair approved gaming machines, prescribed gaming machine components and gaming equipment.

## 7.2 Results of gaming machine operations

The Authority has been advised by the Liquor and Gaming Commissioner in regard to the operation of gaming machines for the reporting period ended 30 June 2001 as follows:

Number of venues with machines	587
Number of operating machines	14096
Average number of gaming machines per venue	24
Net gambling revenue (NGR)	\$543.5 million
Government share (gaming tax)	\$189.9 million
Venue share	\$353.6 million

Other information relating to the industry since commencement of operation on 25 July 1994, is as follows:

Net gambling revenue	\$2 735.4 million
Gaming tax (including surcharge)	\$1 060.8 million
Venue share	\$1 674.6 million

## 7.3 Other matters relating to gaming machines

The Liquor and Gaming Commissioner has provided the following additional information relating to gaming machine taxation.

As part of the intergovernmental agreement between the Commonwealth and the States and Territories for the introduction of GST, the nominal rates of tax which applied prior to 1 July 2000 were reduced by 9.09 to ensure that the aggregate tax levied on NGR was the same before and after the introduction of GST.

State gaming tax is levied on NGR in three tiers. Two sets of rates applied for the 2000–01 year, distinguishing between non-profit businesses and any other business.

A non-profit business is defined as “a business carried out pursuant to a gaming machine licence held by or on behalf of a body corporate or association, where the Minister is satisfied that the profits of the business cannot be returned to the members or shareholders of the body corporate or association”.

Effectively this definition applies to all incorporated clubs and also includes community hotels.

The rates effective for 2000–01 were as follows:

**Non-profit businesses (clubs, &c):**

<i>Annual NGR per venue</i>	<i>Tax rate</i>
Up to \$399 000	20.91%
\$399 000 to \$945 000	\$83 431 + 25.91% of excess
Above \$945 000	\$224 900 + 30.91% of excess

The surcharge of 0.5% of NGR introduced in 1997–98 continued to be charged.

**Any other business (hotels):**

<i>Annual NGR per venue</i>	<i>Tax rate</i>
Up to \$399 000	25.91%
\$399 000 to \$945 000	\$103 381 + 34.41% of excess
Above \$945 000	\$291 260 + 40.91% of excess

The surcharge of 0.5% of NGR introduced in 1997–98 continued to be charged.

(The Liquor and Gaming Commissioner provides a detailed report to the Treasurer on the administration of the Gaming Machines Act pursuant to section 74(2) of the Act.)

**8. WAGERING**

**8.1 Overview**

The Authority shares regulatory responsibility for wagering with the Liquor and Gaming Commissioner:

- ◆ The Authority licenses bookmakers and their staff—the Commissioner issues the permits that allow bookmaking to take place at particular places and on particular days.
- ◆ The Authority makes rules for bookmakers and on-course totalizators—the Commissioner enforces them.
- ◆ The Authority is responsible for taking action to ensure the ongoing solvency of bookmakers, and that it is otherwise in the interests of racing that licences remain in force—the Commissioner monitors licensees’ activity, collects turnover tax and draws matters of concern to the Authority’s attention.

**8.2 Rule-making**

The Bookmakers Licensing Rules were remade with effect from 1 October 2000, to recognise the assumption of the various functions of the former Racing Industry Development Authority by the Authority and the Liquor and Gaming Commissioner.

The Authority has embarked on a program of reform of these rules, with two sets of amending rules being made during the year:

- ◆ *Bookmakers Licensing (Amendment) Rules 2001*  
These simplified aspects of the licensing process for bookmakers and clerks. They also made some technical improvements to the Principal Rules.

◆ *Bookmakers Licensing (Telephone Bet Limit) Rules 2001*

These introduced a reducing scale of minimum bets for telephone and fax betting by bookmakers. They also made some technical improvements to the Principal Rules.

These rules are available on the Authority's website—[www.iga.sa.gov.au](http://www.iga.sa.gov.au).

### **8.3 Disciplinary action**

During the year, the Authority served one notice on a bookmaker to show cause why disciplinary action should not be taken against the bookmaker's licence. The subject-matter of the notice was resolved, without the need for a hearing, by the imposition of an agreed licence condition.

An audit program has been put in place by the Liquor and Gaming Commissioner in relation to the issues which gave rise to the issue of the notice, and the Authority has commenced receiving reports on compliance with the licence condition.

### **8.4 Totalizator approvals**

From 1 October 2001 to the end of the reporting period, the Authority gave a number of approvals to allow the totalizator in the betting auditorium at the Morphettville Racecourse to be open on certain days in addition to its standard non-racing week-day operation, most notably during the metropolitan race meeting scheduled for Victoria Park on 20 January 2001. On that occasion, the SA Jockey Club had requested that the air conditioned auditorium be allowed to open due to extreme weather conditions at Victoria Park.

The Authority had also approved a totalizator for picnic races under section 63(1a) of the Racing Act.

## **9. PROPRIETARY RACING**

Following the commencement of the Racing (Proprietary Business Licensing) Act, the Authority has made the forms necessary for licence applications to be made. As at 30 June 2001, the Authority had received one, incomplete, application and was aware of interest shown by other possible licensees.

However, as no licence has been granted under that Act, there is nothing for the Liquor and Gaming Commissioner to report and nothing further for the Authority to report.

This Annual Report is signed by the Gaming Supervisory Authority, and is submitted on 28 September 2001.



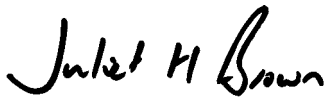
**D J Green**  
Presiding Member



**A M Pederick**  
Member



**M J Jeffreys**  
Member



**J H Brown**  
Member



**W L Stokes**  
Member

## GLOSSARY

Clubs SA	Licensed Clubs' Association of South Australia Inc
DAIS	Department for Administrative and Information Services (South Australia)
DTF	Department of Treasury and Finance (South Australia)
Executive Council	The Governor of South Australia in council with Ministers of the Crown
GST	Goods and Services Tax
NGR	Net gambling revenue—in relation to particular licensed premises, the total amount of all bets made on the machines in the premises during a financial year, less the total amount of all prizes won on the machines in that year
NZ CCA	Casino Control Authority (New Zealand)
NZ DIA	Department of Internal Affairs (New Zealand)
OLGC	Office of the Liquor and Gaming Commissioner (an office within the South Australian Department of Justice)
Reporting period	1 July 2000–30 June 2001 (both days inclusive)

**APPENDIX A**

**Profile of staff remuneration levels as at 30 June 2001**

<i>Classification</i>	<i>Ongoing</i>			<i>Fixed term</i>			<i>Total</i>
	<i>Males</i>	<i>Females</i>	<i>Total</i>	<i>Males</i>	<i>Females</i>	<i>Total</i>	
Trainees							
ASO1							
ASO2							
ASO3		1	1				1
ASO4							
ASO5							
ASO6							
ASO7							
ASO8							
EL1							
EL2							
EL3							
EXA				1		1	1
EXB							
EXC							
EXD							
EXE							
EXF							
<b>TOTAL</b>		<b>1</b>	<b>1</b>	<b>1</b>		<b>1</b>	<b>2</b>

## APPENDIX B

### External consultants used in the reporting period

This table sets out the payments made or payable to consultants in respect of work performed in the reporting period.

<i>Consultant</i>	<i>Purpose of consultancy</i>	<i>No.</i>	<i>Amount</i>
<b>Group—Below \$10 000</b>			
Clayton Utz	Provision of legal advice in respect of transfer of casino licence ( <i>completion of work commenced in 1999-2000</i> )		1 522
<i>Group total</i>		1	1 522
<b>Group—\$10 000–\$50 000</b>			
McGuire Reardon Consulting Pty Ltd	Numerous small projects, including—Advice on Racing and Authorised Betting Operations Acts; forms development for proprietary business racing licence and major betting operations licence applications; and scoping of major betting operations suitability process		13 514
Crown Solicitor	Numerous advices on operation of gambling legislation		11 439
<i>Group total</i>		2	24 953
<i>All consultants total</i>		3	26 475

**APPENDIX C**

**Overseas travel undertaken in the reporting period**

<i>No. of travellers</i>	<i>Destination</i>	<i>Reason for travel</i>	<i>Cost</i>
2	New Zealand	Liase with New Zealand regulators (NZ CCA and NZ DIA), meet with Sky City Limited, attend “Casino Best Practice” working party	\$5 368
1	New Zealand	Attend “Casino Best Practice” working party	\$1 110
1	Italy United States of America	Present paper to International Gaming Law Conference and attend World Gaming Congress	\$9 500
1	New Zealand	Present to planning workshop	nil
6	New Zealand	Meet with NZ CCA and NZ DIA, meet senior management Sky City Limited, inspect casino sites	\$15 502
1	New Zealand	Meet with NZ CCA and NZ DIA, meet senior management Sky City Limited, observe hearing	\$1 658
1	United States of America	Attend conference of North American Gaming Regulators Association	\$5 899
1	Sweden	Attend annual meeting of Gaming Regulators European Forum	\$4 234

## APPENDIX D

### Financial statements

Statement of Financial Performance for the financial year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
<b>Expenses from Ordinary Activities</b>			
Employee costs	3(a)	290	305
Accommodation and services costs		55	65
Depreciation	4	5	9
Other expenses from ordinary activities	5	228	334
<i>Total Expenses from Ordinary Activities</i>		<b>578</b>	713
<b>Revenue from Ordinary Activities</b>			
Interest received		14	11
Other revenues from ordinary activities	6	10	28
<i>Total Revenues from Ordinary Activities</i>		<b>24</b>	39
<b>Net surplus (cost) of services</b>	11	<b>(554)</b>	(674)
<b>Revenues from Government</b>			
Appropriation		425	880
<i>Total Revenues from Government</i>		<b>425</b>	880
<b>Increase/(decrease) in net assets resulting from ordinary activities</b>		<b>(129)</b>	206
<b>Total changes in equity other than those resulting from transactions with the state government as owner</b>		<b>(129)</b>	206

Financial Statements—continued

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
<b>Current Assets</b>			
Cash		114	259
Receivables		4	6
Other		–	–
<i>Total Current Assets</i>		<u>118</u>	<u>265</u>
<b>Non-current Assets</b>			
Property, Plant and Equipment	7	1	14
<i>Total Non-current Assets</i>		<u>1</u>	<u>14</u>
<b>Total Assets</b>		<u>119</u>	<u>279</u>
<b>Current Liabilities</b>			
Payables	8(a)	2	28
Provision for employee entitlements	3(b)	4	9
<i>Total Current Liabilities</i>		<u>6</u>	<u>37</u>
<b>Non-current Liabilities</b>			
Payables		–	–
Provision for employee entitlements		–	–
<i>Total Non-current Liabilities</i>		<u>–</u>	<u>–</u>
<b>Total liabilities</b>		<u>6</u>	<u>37</u>
<b>Net assets</b>		<u>113</u>	<u>242</u>
<b>Equity</b>			
Retained Surplus	9	113	242
<b>Total equity</b>		<u>113</u>	<u>242</u>
<b>Commitments for expenditure and contingent liabilities</b>	10		

Financial Statements—continued

Statement of Cash Flows for the financial year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
<b>Cash flows from Operating Activities</b>			
<i>Payments</i>			
Employee costs		(297)	(304)
Accommodation and service costs		(54)	(65)
Other expenses from ordinary activities		(250)	(302)
GST payments		(1)	–
<b>Total payments</b>		<b>(602)</b>	<b>(671)</b>
<i>Receipts</i>			
Interest received		15	10
Other receipts from ordinary activities		7	31
GST receipts		1	–
<b>Total receipts</b>		<b>23</b>	<b>41</b>
<b>Cash flows from Government</b>			
Appropriation		425	880
<b>Total cash flows from Government</b>		<b>425</b>	<b>880</b>
<b>Net cash provided by (used in) Operating Activities</b>	11	<b>(154)</b>	250
<b>Cash flows from Investing Activities</b>			
Proceeds from sale of property, plant and equipment		9	–
Purchase of property, plant and equipment		–	(11)
<b>Net cash provided by (used in) Investing Activities</b>		<b>9</b>	<b>(11)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(145)</b>	239
Cash at the beginning of the financial year		259	20
<b>Cash at the end of the financial year</b>		<b>114</b>	<b>259</b>

Notes to and forming part of the Financial Statements

**1. Objectives**

The Gaming Supervisory Authority (the Authority) is established under the Gaming Supervisory Authority Act 1995, to carry out the following functions:

- (a) to ensure that an effective and efficient system of supervision is established and maintained over the operations of licensees under prescribed Acts; and
- (b) to advise, and make recommendations to, the Minister on matters relating to the operations of licensees under prescribed Acts or on any aspect of the operation, administration or enforcement of prescribed Acts; and

- (c) to perform other functions assigned to the Authority under this Act or a prescribed Act or by the Minister.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and applicable Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historic cost principles except where stated.

### (b) The Reporting Entity

The financial arrangements of the Gaming Supervisory Authority are administered by the Department of Treasury and Finance through an interest bearing Special Deposit Account entitled "Gaming Supervisory Authority Operating Account". The account is established for the purpose of recording all the activities of the Authority including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

### (c) Appropriations

Appropriations are recognised as revenue when the Authority obtains control over the assets comprising the contribution. Control over appropriations is normally obtained upon their receipt.

### (d) Non-current Assets

All non-current assets controlled by the Authority are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Authority. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Specific classes of non-current assets which have a total value greater than \$1.0 million are revalued every three years in accordance with Treasurer's Accounting Policy 3 'Revaluation of Non-Current Assets'.

### (e) Depreciation of Non-current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset with an acquisition cost of more than \$5,000 over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all such assets. The estimated useful lives of each asset class are as follows:

Office Equipment    3 years

### (f) Employee Entitlements

The Gaming Supervisory Authority Act does not provide for the direct employment of staff by the Authority, but establishes a Secretary to the Authority appointed under the Public Sector Management Act. The employee costs included in these statements are Treasury and Finance staff who provide administrative services to the Authority and are charged to the "Gaming Supervisory Authority Operating Account".

Financial Statements—continued

(i) *Wages, Salaries and Annual Leave*

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) *Long Service Leave*

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date.

(iii) *Superannuation*

Contributions are made by the Authority to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(iv) *Employment On-costs*

The liability for employment oncosts include superannuation contributions and payroll tax with respect to outstanding liabilities for Salaries and Wages, Long Service Leave and Annual Leave. These amounts are classified under payables.

**(g) Leases**

The Authority has entered into a number of operating lease agreements for buildings and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

**(h) Cash**

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

**(i) Goods and Services Tax**

The accounting policies adopted for the treatment of Goods and Services Tax (GST) are in accordance with Urgent Issue Group Abstract 31 (Accounting for the Goods and Services Tax (GST)).

**(j) Rounding**

All amounts are rounded to the nearest thousand dollars.

**(k) Comparative Information**

Where applicable, comparative figures have been adjusted to conform with changes in the current financial year.

Financial Statements—continued

<b>3. Employee Entitlements</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee Costs</b>		
Salaries and Wages	126	173
Superannuation and Payroll Tax expenses	35	25
Annual and long service leave expenses	10	6
Board Fees	118	101
Other employee related expenses	1	–
	290	305
<b>(b) Provision for Employee Entitlements</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Current liability		
Aggregate Employee Entitlement Liability	4	9
	4	9
<b>(c) Number of employees at end of financial year</b>	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
	2	2
<b>4. Depreciation</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Depreciation was charged in respect of		
Office equipment	5	9
	5	9
<b>5. Other Expenses from ordinary activities</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
General administration	202	151
EDS charges	–	–
Consultants	26	183
Contractors	–	–
	228	334
<b>6. Revenue from ordinary activities</b>	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Other Revenue from ordinary activities comprised:		
Reimbursement of Trainee Costs	10	12
Proceeds from sale of assets	–	16
	10	28

Financial Statements—continued

<b>7. Property, Plant and Equipment</b>	Office equipment <b>\$'000</b>
<b>Valuation at Historical Cost</b>	<b>\$'000</b>
Balance at 30 June 2000	29
Additions	–
Disposals	(9)
Balance at 30 June 2001	20
<b>Accumulated Depreciation</b>	
Balance at 30 June 2000	(15)
Disposals	1
Depreciation expense	(5)
Balance at 30 June 2001	(19)
<b>Net Book Value</b>	
As at 30 June 2000	14
As at 30 June 2001	1
<b>8. Payables</b>	<b>2001</b> <b>2000</b> <b>\$'000</b> <b>\$'000</b>
<b>(a) Current</b>	
Employee on-costs	1      1
Accommodation and service costs	1      –
Payments to consultants	–      27
General Administration	–      –
	<b>2</b> <b>28</b>
<b>9. Retained Surplus</b>	<b>2001</b> <b>2000</b> <b>\$'000</b> <b>\$'000</b>
Balance at the beginning of the financial year	242      36
Increase/(Decrease) in net assets resulting from ordinary activities	(129)      206
Balance at the end of the financial year	<b>113</b> <b>242</b>
<b>10. Commitments For Expenditure and Contingent Liabilities</b>	<b>2001</b> <b>2000</b> <b>\$'000</b> <b>\$'000</b>
<b>(a) Operating Leases</b>	
Commitments under non-cancellable operating leases as at the reporting date are payable as follows:	
Not later than one year	17      38
Later than one year and not later than five years	–      19
Later than five years	–      –
	<b>17</b> <b>57</b>

Financial Statements—continued

These operating lease commitments are not recognised in the financial report as liabilities

<b>11</b>	<b>Reconciliation of Net Cash Provided by Operating Activities to Net (Cost) of Services</b>	<b>2001</b>	<b>2000</b>
		<b>\$'000</b>	<b>\$'000</b>
	Net cash provided by operating activities	(154)	250
	Cash Flows from Government	(425)	(880)
	Non cash items		
	Depreciation expense	(5)	(9)
	Non Current Assets—increase in capitalisation limit	–	(5)
	Change in operating assets and liabilities		
	Increase (decrease) in receivables	(2)	(2)
	Increase (decrease) in other current assets	–	(2)
	(Increase) decrease in payables	27	(26)
	(Increase) decrease in provision for employee entitlements	5	–
	Net surplus (cost) of services	<u>(554)</u>	<u>(674)</u>

**12. Remuneration of Employees**

There were no Department of Treasury and Finance employees with remuneration in excess of \$100,000 charged to the 'Gaming Supervisory Authority Operating Account' during 2000-2001 or 1999-2000.

**13. Payments to Consultants**

	<b>2001</b>	<b>2000</b>
	No. of	No. of
Payments to consultants fell within the following bands:	consultants	consultants
\$0–\$10 000	1	3
\$10 001–\$50 000	2	1
\$50 001–\$100 000	–	2
	<u>3</u>	<u>6</u>

The total payments to the 3 (6) consultants engaged was \$26,000 (\$183,000).

Financial Statements—continued

Statement of responsible officers

In our opinion, the attached Financial Statements of the Gaming Supervisory Authority, being the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and notes thereto, are drawn up so as to give a reasonable and fair view of the results of the Gaming Supervisory Authority for the financial year ended 30 June 2001, and state of affairs as at 30 June 2001. The Financial Statements have been prepared in accordance with Statements of Accounting Concepts, applicable Urgent Issues Group Consensus Views, applicable Accounting Standards and the Treasurer’s Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, as amended. Internal controls over financial reporting have been effective throughout the reporting period.

**David Green**  
PRESIDING MEMBER

**Brenda McKenzie**  
ACTING DIRECTOR, FINANCIAL SERVICES

## Independent Audit Report

### TO THE PRESIDING MEMBER

#### SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Gaming Supervisory Authority for the financial year ended 30 June 2001. The financial report comprises:

- ◆ A Statement of Financial Performance;
- ◆ A Statement of Financial Position;
- ◆ A Statement of Cash Flows;
- ◆ Notes to and forming part of the Financial Statements;
- ◆ Certificate by the Presiding Member and the Acting Director, Financial Services.

The members of the Gaming Supervisory Authority are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Presiding Member.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards to provide reasonable assurance that the financial report is free of material misstatement.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Australian Accounting Standards and other mandatory professional reporting requirements including Urgent Issues Group Consensus Views so as to present a view which is consistent with my understanding of the Gaming Supervisory Authority's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Gaming Supervisory Authority as at 30 June 2001, the results of its operations and its cash flows for the year then ended.

25 September 2001

**K I MacPherson**  
AUDITOR-GENERAL

## APPENDIX E

### Report of the Liquor and Gaming Commissioner

## Office of the Liquor and Gaming Commissioner —Skycity Adelaide Annual Report 2001

Under section 53 of the Casino Act 1997 the Liquor and Gaming Commissioner is responsible to the Gaming Supervisory Authority to ensure that the operations of the casino are subject to constant scrutiny.

The Commissioner is responsible for various functions including:

- approval of persons to work in sensitive positions or positions of responsibility
- approval of systems and procedures for:
  - conducting approved games including game rules
  - surveillance and security
  - internal management and control
  - handling, dealing with and accounting for money and gambling chips
- approval of the installation and use of:
  - equipment for gambling
  - equipment for surveillance or security

### 2000/2001 in Review

Ownership of the Adelaide Casino transferred to Sky City Ltd. as from 1 July 2000 and the name changed to Skycity Adelaide.

On 20 November 2000 Sky City Adelaide began the refurbishment of the first floor gaming area. The entire area was repainted and recarpeted and new wider and lower gaming machine bases were installed which created a more open gaming area. A total of 260 new machines were installed replacing older machines. The casino currently operates with 74 table games and 771 gaming machines. Pits two and three (which comprise the back half of the ground floor gaming area) were also recarpeted.

In mid January 2001 stage 2 of the redevelopment which involved a major revamp of the ground floor commenced. The front half of the area was completely gutted and redesigned with 80 new gaming machines relocated from the first floor area. The three large crystal chandeliers were dismantled, crated and placed into storage. The Two Up ring was reduced in size and relocated which required the game rules to be amended. The Pullman restaurant was also given a facelift. The refurbished casino was officially opened at a Marble Hall function on 9 April 2001.

Report of the Liquor and Gaming Commissioner—continued

Skycity Adelaide has made a number of significant changes in an attempt to improve operations and increase patronage. They have moved back into the premium player market offering incentives to attract players to Adelaide. To advertise their move into this market a function was held in the Marble Hall to introduce potential patrons to the attractions Skycity has to offer. To accommodate these patrons the Grange Room has been kept open for 24 hour periods.

As part of their push to make Skycity Adelaide an entertainment centre and not just a casino, functions have been held scheduled regularly in the Marble Hall featuring well known bands and entertainers. To ensure the safety of persons attending these functions the proposals are scrutinised by inspectors from the Office of the Liquor and Gaming Commissioner (OLGC) in conjunction with MFS and council officers.

In April 2001 Skycity Adelaide contacted the OLGC to introduce their problem gambling promotional material and their proposed approach to this issue. As a result I and other staff gave a number of talks to Skycity management and supervisory staff on this topic.

During the year there were two complaints lodged through the office of No Pokies Campaign Inc alleging that the casino allowed intoxicated patrons to continue to gamble. In one case it was alleged that the casino actively encouraged the patron to consume alcohol whereas in the other it was alleged that the patron was intoxicated prior to attending at the casino. These incidents were investigated by SA Police and it was reported that the casino was not in breach. Following these incidents the issue of the responsible serving of alcohol was raised with casino management a number of times and copies of video training tapes dealing with the issue were made available by the OLGC.

The Accounting and Internal Control Policies and Procedures Manual is currently being completely rewritten in consultation with the Inspectorate. The OLGC has an overall level of satisfaction with the system and procedures currently in place for security and surveillance.

I have established a Workplace Consultative Committee to advise on the integration of the liquor, gaming and casino inspectorates. I am also continuing to develop a risk based audit approach to the scrutiny of the Casino.

During the financial year ending 30 June 2001 more than 2,025,000 people visited Skycity Adelaide

### **Breaches of the Approved Licensing Agreement**

Clause 5 of the Approved Licensing Agreement gives the Commissioner certain powers if he determines that there has been a breach of Part 2 of the Agreement, that part dealing with the operating licence conditions.

The Commissioner may:

*“(a) issue a notice to the Licensee specifying the breach and requiring the Licensee, depending on the circumstances of the breach, to:*

- (i) remedy the breach within the relevant period by ceasing the activity that constitutes the breach and reversing, so far as possible, the effect of the breach; and/or*

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- (ii) within the relevant period provide an unconditional statement that the breach will not be repeated and identifying a sufficient procedure to ensure that its statement will be compiled with; or*
  - (b) issue a notice to the Licensee specifying the breach and requiring the Licensee to forfeit to the Treasurer, a monetary amount not exceeding \$50,000.00 determined by the Commissioner to be an appropriate redress for the breach; or*
  - (c) determine that, for the purposes of the breach:*
    - (i) the provision of Part 2 of the Agreement that has been breached is a supplementary licence condition; and*
    - (ii) the breach is a statutory default within the meaning of the Act*
- Unless the Commissioner considers that it is not in the public interest to do so, the Commissioner must, prior to making such a determination:*
- (iii) give the Licensee written notice of the breach and of the Commissioner’s intention to invoke this paragraph (c); and*
  - (iv) consider any representations made by the Licensee about the matter within 14 days after the notice is given.”*

Clause 5.2 of the Agreement provides that the Commissioner will determine:

- “(a) which of the responses to make to the breach of Part 2 referred to in clause 5.1 by reference to the seriousness of the breach and the opportunity for remediation of that breach; and*
- (b) the relevant period for the purpose of a notice under clause 5.1(a) by reference to the public interest affected by the breach and the practicalities of remedying that breach but the relevant period will not be less than twenty eight days unless the public interest so requires.”*

A notice issued to the casino becomes a supplementary licence condition.

No disciplinary action was taken against Sky City during 2000/2001.

## **Financial**

The rate of casino duty from 1 July 2000 was amended to reflect the GST. The new rate is 0.91% of net gambling revenue for table games and 34.41% of net gambling revenue for gaming machines.

For the financial year 2000/2001 Skycity paid \$A13.98m<sup>(1)</sup> casino duty based on \$A80.7m<sup>(2)</sup> of net gaming revenue.

During 2000/2001 the casino reported a total of 988 reportable transactions to AUSTRAC of which 47 were deemed to be classified as suspect transactions. AUSTRAC officials have advised that Skycity Adelaide is complying with requirements in this area.

<sup>(1)</sup> Comprising \$A0.37m from table games and \$A13.62m from gaming machines.

<sup>(2)</sup> Comprising \$A41.63m from table games and \$A39.52m from gaming machines.

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### **Unclaimed Prizes**

Skycity paid \$10,458.46 in unclaimed prizes to the Treasury during 2000/01.

### **Persons Approved in Sensitive positions**

A total of 386 persons were approved as suitable persons to work in sensitive positions under section 30 of the Casino Act 1997. These approvals were given following advice received from the Commissioner of Police, via the SA Police Licensing and Gaming Advice Unit. The Commissioner of Police objected to three applicants. As a result of hearings before me, two applications were rejected and one is still pending.

Following the change of ownership to Sky City Ltd, it was recognised that there would be a requirement for New Zealand based Sky City staff to work for periods at Skycity Adelaide. To expedite the approval process, an agreement was reached with the SA Police Licensing and Gaming Advice Unit that enabled applicants who had been cleared by New Zealand police authorities to be recognised as suitable for approval in South Australia.

The GSA exempted Sky City from compliance with section 30 of the Act in respect of the following classes of person:-

- non gaming personnel employed or engaged by an employer other than the licensee who do not work principally at the casino or who do not work principally at any one place. Non-gaming personnel was defined to mean people whose duties do not involve gaming, security or surveillance operations or the installation, maintenance or repair of gaming, security or surveillance equipment.
- gaming personnel, employed or engaged by an employer other than the licensee, who do not work principally at the casino and who are not able, by reason of the activity for which they are employed or engaged, to alter, tamper with or influence the outcome of gaming or the integrity of gaming, security or surveillance systems, equipment or operations, provided that-
  - the licensee obtains prior written endorsement of the Commissioner that the activity falls within the exemption; and
  - the Commissioner has approved the employer to undertake the activity at the licensed casino.

### **Financial and Gaming Machine Monitoring System**

In January 2001, Skycity Adelaide informed me of its intention to replace the existing 'Rainbow Club' loyalty system with the new Aristocrat SGM system.

The SGM system provides the Casino with table game, chip and cash management functions and table game player tracking functionality (player rating etc).

The SGM system proposed was identical to that approved for operation in Skycity Auckland and therefore I accepted the NZ testing and evaluation results. KPMG also provided an independent review of the system for Skycity Auckland.

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The system commenced in April 2001.

On my application, the Gaming Supervisory Authority notified Skycity Adelaide in May 2001 that the SGM system requires the approval of the Commissioner under section 40(1)(c) of the Casino Act which states :

*“ It is a condition of the casino licence that the licensee must not permit the installation or use of—*

*...*

*(c) equipment of any other kind or for any other purpose notified by the Authority to the licensee,*

*unless it has been approved by the Commissioner.”*

Baseline documentation of the approved system is currently under development by officers from OLG and staff at the Casino. Final approval is still pending.

### **Commissioner’s Determinations under Casino Act 1997**

Section 36 of the Act stipulates that staff are not to accept gifts or gratuities from any person. On 8 August 2000 as a result of a submission from Skycity Adelaide I made a determination under section 36(2)(d) allowing certain staff in Food and Beverage, Environmental Services and Marketing to accept tips , gifts or gratuities under certain conditions.

Section 34 of the Act requires casino staff to wear an identification card in a form and manner approved by the Commissioner. Following a submission from Skycity Adelaide I made a determination under section 34(3) exempting senior management and certain security and surveillance staff from this requirement.

### **Casino Barred Patrons**

Section 44 of the Casino Act 1997 provides that the licensee may bar a person from the casino premises on the grounds that:

- the person is placing his or her own welfare, or the welfare of dependants, at risk through gambling;
- the excluded person has damaged or misused equipment in the casino used for gambling;
- the excluded person has committed, or is committing or is about to commit an offence.

Between 1 July 2000 and 30 June 2001 I reviewed 97 section 44 barring notices issued by the Casino. Of these I extended 71 and upheld 19. Two orders were revoked upon review. One person died before the review was finalised and the remainder are still to be determined.

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**Section 45 Barred By Reason**

Assault	10
Cheating	1
Counterfeit	1
Disorderly	14
False pretences	3
Property Damage	3
Soliciting	1
Larceny	38 <sup>(1)</sup>

**Length of Barring**

over 10 years	4
5 – 10 years	7
3 – 5 years	6
2 – 3 years	15
1 – 2 years	35
12 months or less	4

<sup>(1)</sup> I am concerned that 23 of the 38 larceny offences were ‘larceny by finding’ caused by patrons leaving cash, chips and handbags unattended and I am currently working with Casino management to resolve this issue.

During the investigations into a number of these incidents I took into account that the underlying reasons behind the actions were indicative of problems with gambling and this was taken into account when making determinations.

The total number of persons barred from entering Skycity Adelaide Casino as at 30 June 2001 is 485 of which 270 are self barred.

Security refused entry to 38 barred and 10 self barred persons and ejected 68 barred and 24 self barred persons during the financial year. I am pleased with Sky City’s security and surveillance activity in this area.

**Minors on Casino Premises**

There were no reported instances of minors being detected on casino premises. The Security department refused entry to 3043 juveniles and suspected persons who were unable to provide suitable proof of being over 18 years of age. Again I am pleased with this.

**Gaming Disputes and Complaints**

Patrons were dissatisfied with action taken by Skycity Adelaide on fourteen occasions during the 2000/001 financial year leading to a complaint being officially lodged with a Casino Government Inspector. Twelve of these were gaming related, one involved a physical eviction and one person considered that his Grange Room membership had been unfairly revoked. Of the twelve gaming disputes eight were related to Blackjack only because it is the most popular game played and is not a reflection on the croupiers or game rules. Following

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an investigation into the allegations it was determined that on each occasion the Casino had acted within the game rules and the Inspectorate was not required to take any further action.

### **Games Approved**

There were 80 new gaming machine games approved for use in the casino following submissions from Skycity Adelaide. Testing and evaluation of all gaming machines was conducted for me by qualified test laboratories before approval was granted.

No submissions for new table games were received.

### **Amendments to the Casino Game Rules**

Under clause 8.1(d) of the Approved Licensing Agreement, I approved amendments to the rules of the following authorised games during the 2000/2001 financial year:

- ***Baccarat***
  - Minor rule changes in respect to the procedures for the opening of tables for gaming.
- ***Two-Up***
  - Replacement of pit layout diagram because of the change to a half ring format;
  - Minor rule changes to incorporate half ring format and the basis to invalidate coin spins.
- ***Craps***
  - Incorporation of new table layout diagram.

### **Amendments to the Casino Act 1997**

There were no amendments to the Casino Act 1997 during the 2000/2001 financial year.

### **Appreciation**

The level of cooperation from the new management team at Skycity Adelaide has been of enormous benefit and is appreciated.

**W A PRYOR**  
**Liquor and Gaming Commissioner**

25 September 2001



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