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GAMING SUPERVISORY AUTHORITY

Fourth Annual Report of the Gaming Supervisory Authority for the period 1 July 1998 to 30 June 1999

1. INTRODUCTION

Section 24 of the *Casino Act 1983* requires the Gaming Supervisory Authority (the Authority) each year to prepare and present to the Minister a report on the operation of the licensed casino during the preceding financial year. A report under this section must include -

(a) copies of the audited accounts prepared and audited under the Casino Act 1983 in respect of the relevant financial year; and

(b) a statement of the circumstances of any contravention of, or failure to comply with, the provisions of the Casino Act 1983 or the terms and conditions of the licence.

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.

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*.

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. ACTING PRESIDING MEMBER'S REPORT

2.1 The Year in Review – Message from the Acting Presiding Member

This is the Fourth Annual Report of the Authority, which replaced the Casino Supervisory Authority on 1 July 1995. 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 Adelaide Casino and over the operations of all licensees (of all classes) under the Gaming Machines Act.

Looking back, 1998-99 was a particularly busy year for the Authority. During the year the Authority was involved in a number of matters and implemented some significant changes relating to its own operations and the regulation of the Adelaide Casino and the gaming machine industry in South Australia. Key highlights for 1998-99 include:

- The Authority played a major role in the drafting of the *Casino (First Licence) Amendment Bill 1999* (which was passed by the South Australian Parliament on 5 August 1999). Amongst other things, the Bill inserts an objects section into the *Casino Act 1997*; grants the first casino licence under the Casino Act 1997 to Adelaide Casino Pty Ltd; and introduces a new process for the approval of transactions under which close associates to the licensee may obtain a position of control or significant influence over the licensee;

- In April 1999 the Authority jointly hosted with the Office of the Liquor & Gaming Commissioner, the 1999 Australasian Casino and Gaming Regulators' Conference. This conference was attended by representatives from Australia, New Zealand and South Africa;

- The year saw the resignation of the Authority's Presiding Member, Mr Geoffrey Muecke, to take up an appointment as a Judge of the District Court of South Australia. Geoff was appointed as the Authority's Presiding Member on 7 September 1995 and held that position until his resignation effective on 31 March 1999. During his time as Presiding Member of the Authority, Geoff made a significant contribution to casino and gaming regulation in South Australia. In particular, Geoff led the Authority during the conduct of its Inquiry in 1996; the development of the Casino Act 1997 and the establishment of the Casino licence probity investigation following the South Australian Government's announcement to sell the ASER development, including the Adelaide Casino, in June 1997;

- The Authority restructured its secretariat, culminating in the creation of the position of Executive Director (incorporating the statutory position of Secretary to the Authority). In October 1998 Ms Leanne Stewart commenced employment with the Authority as its Executive Director, replacing Ms Jenny Hill, the Legal Officer to the Authority who had been acting in the position of Secretary for some months. Following that appointment, the Authority relocated offices shifting into new premises in Hindmarsh Square, Adelaide. As part of this restructuring, the year also saw the retirement of an employee of the Authority, Ms Sonya Facci and the employment of Mr Peter Cornish as a trainee administrative assistant to the Authority under the South Australian Government's Youth Employment Initiative;

- The Authority reviewed its meeting arrangements, culminating in the restructuring of the Authority's agenda and the establishment of a meeting program of 12 regular half day meetings per year. The Authority also established an Internet site for the first time, allowing key stakeholders and members of the public greater access to material relating to the work of the Authority; and

- As part of improvements to the operations of the secretariat to the Authority, several initiatives were implemented during the course of the year, including the introduction

of a performance appraisal system for staff, the development of a new filing and archiving system, the introduction of occupational health and safety audits, and the establishment of a subcommittee to the Authority to commence work on the development of a business plan.

Throughout the year the Authority has continued to build on and improve its relationship with key stakeholders, including the Treasurer, the Liquor & Gaming Commissioner, the Lotteries Commission of South Australia, Supply SA, Funds SA, the Australian Hotels Association (SA), the Licensed Clubs' Association of South Australia Inc, the management of the Adelaide Casino, the Independent Gaming Corporation and the South Australian Police Department. I would like to thank all of these individuals/organisations (and those that I have not specifically mentioned here) for all their support and assistance. The Authority has particularly appreciated the assistance of the Liquor & Gaming Commissioner, Mr Bill Pryor and his staff, throughout the year.

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. The Authority particularly acknowledges the significant contribution made by Geoff Muecke.

2.2 The Year Ahead

While it is important to reflect on the achievements of the past 12 months, it is also important to look to the future and the goals and strategies of the Authority in the coming year. Looking forward into 1999-2000, there are several matters that are likely to dominate the work of the Authority. They are:

- The Casino Act 1997 is likely to come into operation during the first half of the year. The provisions of this Act require the issue of the first licence to Adelaide Casino Pty Ltd, the approval by the Authority of an Approved Licensing Agreement and the execution of a Casino Duty Agreement by the parties. This new regulatory regime will replace the Casino Act 1983, the current licence and the current Management Agreement;

- On 10 August 1999 the Treasurer announced that the Adelaide Casino was to be placed on the market for sale. The Authority will play a key role in this sale, as the body charged with carrying out the probity investigations of any applicants for the purchase of the Casino pursuant to the provisions of the Casino Act 1997; and

- The need for the Authority to continue to build on and develop even stronger relationships between it and key stakeholders.

David Green
Acting Presiding Member

3. GAMING SUPERVISORY AUTHORITY – ROLE AND PERFORMANCE

3.1 Functions and Objectives

The Gaming Supervisory Authority was established on 1 July 1995, pursuant to the *Gaming Supervisory Authority Act 1995*. The Authority is responsible *inter alia* to ensure that an effective and efficient system of supervision is established and maintained over the operation of the Adelaide Casino and over the operations of all licensees (of all classes) under the Gaming Machines Act.

The Liquor & Gaming Commissioner is responsible to the Authority to ensure that the operations of the licensed casino are subject to constant scrutiny (Casino Act 1983, section 21) and is also responsible to the Authority for the constant scrutiny of the operations under all licences (of all classes) under the 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 & Gaming Commissioner still retains independence with respect to the exercise of statutory discretions under the Gaming Machines Act or the Casino Act 1983.

Section 11 of the Gaming Supervisory Authority Act provides that:

11. *(1) The functions of the Authority are-*

(a) in relation to the Casino Act-

(i) to determine the terms and conditions of the licence under which the casino operates; and

(ii) to ensure that an effective and efficient system of supervision is established and maintained over the operation of the licensed casino; and

(iii) to advise, and make recommendations to, the Minister on matters relating to the operation of the licensed casino or on any aspect of the operation, administration or enforcement of the Casino Act;

(b) in relation to the Gaming Machines Act

(i) to ensure that an effective and efficient system of supervision is established and maintained over the operations of all licensees (of all classes) under that Act; and

(ii) to advise, and make recommendations to, the Minister on matters relating to the operations of those licensees or on any aspect of the operation, administration or enforcement of that Act;

(c) to exercise the other powers and functions conferred on, or assigned to, the Authority by or under this Act or any other 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 operation of the licensed casino; or

(b) the operations of any licensee under the Gaming Machines Act; or

(c) the discharge by the Commissioner of his or her responsibility to the Authority under the Casino Act or the Gaming Machines 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 the Casino Act or the Gaming Machines Act, but is not empowered to direct or in any way influence the Commissioner in the exercise by the Commissioner of a discretion under either of those Acts.

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

13. *(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 operation, administration or enforcement of the Casino Act or the Gaming Machines Act; or

(ii) the operation of the licensed casino; or

(iii) the operations of any licensee under the Gaming Machines 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.

3.2 Legislation

The Authority is established under the Gaming Supervisory Authority Act and has powers and functions pursuant to the Casino Act 1983 and the Gaming Machines Act. All three Acts are committed to the Treasurer.

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 five members appointed by the Governor of South Australia on the nomination of the Minister. The Presiding Member must be a legal practitioner of at least 10 years standing or a person who has held a defined 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. No person who has a direct or indirect pecuniary or personal interest in the undertaking under the casino licence or a licence under the Gaming Machines Act is eligible for appointment to the Authority.

At least one member must be a man and at least one must be a woman. A Deputy to the Presiding Member (with the same qualifications for appointment as the Presiding Member) may be appointed to act in the Presiding Member's absence. A member is appointed for a term (not exceeding three years) and is on the expiration of the term of office, eligible for reappointment.

The Authority currently has 4 members. The position of Presiding Member became vacant on 1 April 1999 following the resignation of Mr Geoffrey Muecke on 31 March 1999, to take up an appointment as a Judge of the District Court of South Australia. Mr David Green, Deputy Presiding Member, has been acting in the position of Presiding Member since 1 April 1999 pending the appointment of a new Presiding Member by the Governor.

Membership of the Authority as at 30 June 1999 was as follows:

David John Green, BComm, LLB(Hons), LLM, MBA(Hons), FTIA, FAICD, AIMM, MNIA : appointed member from 1 July 1995 and Deputy Presiding Member from 24 July 1997. Reappointed in both capacities from 30 June 1998 and has been acting as Presiding Member since 1 April 1999.

Anthony Maxwell Pederick, FCPA, FCIS, FCIM, JP : appointed from 1 July 1995 and reappointed from 1 July 1998.

Melinda Jane Jeffreys, AssocDipBus, FAHRI, AFAIM, MAICD : appointed 7 December 1995 and reappointed from 16 December 1998.

Juliet Helena Brown, LLB, **MAICD** : appointed 24 July 1997.

3.3.2 Remuneration

The Governor determines the Authority's remuneration. Remuneration levels are set according to Government guidelines. The current remuneration for Members is $17 836 per annum (Presiding Member $25 954).

3.3.3 Meetings of the Authority

In accordance with section 12 of the Gaming Supervisory Authority Act, the Presiding Member (or his or her deputy) and two other Members constitute a quorum of the Authority. The Authority reviewed its meeting format in November 1998 and agreed to hold regular meetings on a monthly basis and as required. The Authority now holds 12 half day meetings per year and holds regular meetings with the Treasurer. As part of its regular monthly meeting timetable, the Authority schedules meetings with its key stakeholders, including industry representatives. 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.

Set out below is a summary of 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.

Member	Meetings with Treasurer	Formal GSA Meetings	Barring Appeals
Total Number of Meetings Held	3	22	2
Mr G L Muecke (Former Presiding Member. Resigned 31/3/99)	3	17	2
Mr D J Green (Acting Presiding Member effective 1/4/99)	3	19	2
Mr A M Pederick	3	22	2
Ms M J Jeffreys	3	20	2
Ms J H Brown	3	18	2

In addition to the above, a number of other special meetings were held on particular issues with key stakeholders, including representatives of the gaming industry and were attended by various Members.

3.3.4 Authority Subcommittees

To assist with the execution of its responsibilities, the Authority has recently established a Business Planning Subcommittee consisting of the Acting Presiding Member, Mr David Green, Member, Ms Jane Jeffreys and the Executive Director, Ms Leanne Stewart. This Subcommittee has only recently been formed and therefore has met only once at the time of this Report. The role of the Subcommittee is to advise on the establishment of a business plan for the Authority.

3.4 Staffing and Administration

The Authority is supported by a small office staffed by employees of the Department of Treasury and Finance. In October 1998, the Authority appointed an Executive Director who is responsible for the management of the office and who also holds the statutory appointment of Secretary pursuant to section 10 of the Gaming Supervisory Authority Act. As at 30 June 1999, there were 2 staff and 1 trainee administrative assistant employed in the office. **Appendix A** provides a profile of staff remuneration levels as at 30 June 1999.

Prior to the appointment of the Executive Director in October 1998, the then Legal Officer to the Authority, Ms Jenny Hill, acted in the position of Secretary. Ms Hill has now taken up a position with the Lotteries Commission of South Australia.

One of the Authority's part time administrative assistants, Ms Sonya Facci also retired. The Authority would like to take this opportunity to acknowledge the valued contribution and assistance provided by Ms Hill and Ms Facci.

Conditions of employment of permanent 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*.

3.5 Relationship with Other Agencies/Entities

To assist with the execution of its responsibilities, the Authority works closely with staff of the Office of the Liquor & Gaming Commissioner (Department of Justice), the Lotteries Commission of South Australia, Supply SA (Department for Administrative and Information Services) and the South Australian Police Department. The Authority also meets with representatives of the gaming and casino industry on a regular basis. The Authority receives regular reports and certificates of compliance regarding the Casino from the current licensee, the Lotteries Commission of South Australia and reports on Casino matters generally from the Liquor & Gaming Commissioner, by his regular attendance at Authority meetings.

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 21 of the Casino Act 1983 provides that the Liquor & Gaming Commissioner is responsible to the Authority to ensure that the operations of the licensed casino are subject to constant scrutiny. The Commissioner currently has a full-time Inspectorate located in the Casino licensed premises and it is by this means that he provides ongoing scrutiny over the operations of the Casino. Section 5 of the Gaming Machines Act provides that the Liquor & 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.

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:

- Supply SA, 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, the holder of the gaming machine monitor licence (see sections 14(1)(d) and 25(1) of the Gaming Machines Act);

- Wang Information Systems Australia and AWA Gaming Systems who are the two approved agents of Supply SA as the holder of the gaming machine service licence (see section 26(3) of the Gaming Machines Act).

3.6 Strategic Directions

The Authority is currently developing a business plan through the work of its Business Planning Subcommittee. This plan will be consistent with the functions and objectives established for the Authority under the relevant pieces of legislation and Government directions regarding gaming and casino policy.

3.7 Fraud

There were no instances of fraud detected during the year. The Authority complies with the Department of Treasury and Finance policy to prevent fraud.

3.8 Year 2000 Compliance

The Authority is participating in the whole of Government project being coordinated by the Department of Treasury and Finance to ensure that all of its systems are Year 2000 compliant. As part of this process, the Authority has not identified any critical business functions or major risk exposures.

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 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

The Department of Treasury and Finance has advised the Authority that the average number of sick days per full time equivalent employee taken during the year was 3 days.

4.3 Equal Employment Opportunity

The Authority is committed to equal employment opportunity principles and complies with the policy of the Department of Treasury and Finance for this purpose.

4.4 Occupational Health and Safety

The Authority is committed to providing a safe and hazard free work environment for its staff. It carries out regular safety audits with the assistance of staff from Corporate Services, Department of Treasury and Finance, to highlight any workplace hazards or maintenance required. The Authority has appointed a fire safety/emergency evacuation officer and has built in occupational health and safety training into staff training and development. The Department of Treasury and Finance includes the Authority in the statistics relating to occupational health and safety that it publishes in its Annual Report.

4.5 Overseas Travel

In October 1998, the Authority's then Presiding Member, attended the International Gaming Law Conference of the International Association of Gaming Attorneys and the International Association of Gaming Regulators (IAGR) held in Prague, Czech Republic. The total cost to the Authority for the Presiding Member's attendance at this Conference was $7557.

In January 1999, the Executive Director attended the International Casino Exhibition and a meeting of gaming regulators, held in London, UK. The Executive Director attended this exhibition and meeting on her return home from taking annual leave in Berlin, Germany. Accordingly, the total cost to the Authority for the Executive Director's attendance was $382.15.

5. FINANCIAL PERFORMANCE

5.1 Financial Report

Pursuant to section 41 of the *Public Finance and Audit Act 1987* and Treasurer's Instruction Number 19, the Department of Treasury and Finance prepares the Authority's annual financial statements and forwards the statements to the Auditor-General. The Authority's annual financial statements and a copy of the opinion of the Auditor-General on those statements are contained in **Appendix B.**

5.2 Contractual Arrangements

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

5.3 Account Payment Performance

The Department of Treasury and Finance manages the payment of accounts on behalf of the Authority. Creditor accounts are certified and approved for payment by the Authority and forwarded to Treasury and Finance for processing against the Authority's Operating Account. The following table highlights that the Authority was able to pay 91% of all invoices by the due date. The remaining 9% of invoices reflect both disputed accounts and late payment of undisputed accounts. During 1999-2000 the Authority will continue to monitor the processing of accounts to ensure that the accepted best practice benchmark of 90% of accounts being paid by their due dates will continue to be met.

Particulars	**Number Paid**	**%**	**Amount Paid ($'000)**	**%**
Paid by the due date	242	91	192	83
Paid within 30 days or less from the due date	16	6	30	13
Paid more than 30 days from the due date	9	3	10	4
Total	**267**	**100**	**232**	**100**

Note: The due date is defined as per section 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. STATUTORY REQUIREMENTS UNDER THE CASINO ACT 1983

6.1 Casino Act 1997

The Authority reported in its last Annual Report that the Casino Act 1997 was assented to on 19 June 1997 and by Proclamation made on 11 September 1997, that date was fixed to be the day on which the Casino Act 1997 came into operation.

Clause 2 of the Schedule to the Casino Act 1997 repealed the Casino Act 1983. However, clause 3 of the Schedule provides that the Casino Act 1983 continues to apply, to the exclusion of the Casino Act 1997, to the licence in force under the Casino Act 1983 and the operation of the casino under that licence until the date of transition. The date of transition is the day on which the licence first granted under the Casino Act 1997 comes into force (clause 1 of the Schedule).

Accordingly, the Casino Act 1983, notwithstanding its repeal, continues to apply to the operations of the Adelaide Casino.

However, the *Casino (First Licence) Amendment Bill 1999* was passed by the South Australian Parliament on 5 August 1999. Included in this Bill is a provision which grants the first casino licence under the Casino Act 1997 to Adelaide Casino Pty Ltd. When this first licence to Adelaide Casino Pty Ltd comes into force, the Casino Act 1983 will cease to apply to the operations of the Adelaide Casino and the provisions of the Casino Act 1997 as amended, will come into force. It is anticipated that this will occur during the first half of 1999-2000.

6.2 Accounts and Audit

Section 20 of the Casino Act 1983 requires the licence holder (the Lotteries Commission of South Australia) to *cause proper accounts to be kept of gross gambling revenue and net gambling revenue for each month in relation to the licensed casino.* The accounts must be kept and preserved in accordance with all written directions given to the Lotteries Commission by the Minister and they must be audited by the Auditor-General at least once in each year.

Section 20 defines 'gross gambling revenue' as meaning, in relation to a month, *the gross amount received by the person who is operating the casino in respect of gambling during the month (including amounts paid to him during the month for the purchase or use of gambling chips*). 'Net gambling revenue' is defined as meaning, in relation to a month, *the gross gambling revenue for the month less the value of prizes paid or awarded during the month.*

Copies of the audited accounts kept and audited pursuant to section 20 in respect of the period under review, and kept in accordance with written directions of the Treasurer given on 26 June 1986, are attached as **Appendix C**.

6.3 Breaches of the Casino Act and Licence

A written report to the Authority from the Liquor & Gaming Commissioner dated 22 July 1999 is attached as **Appendix D** (see section 24(2)(b) of the Casino Act 1983).

A written report to the Authority from the Licensee, the Lotteries Commission, dated 6 September 1999 is attached as **Appendix E** (see section 24(2)(b) of the Casino Act 1983).

6.4 Parties Involved in the Operation and Ownership of the Adelaide Casino

The Casino Act 1983 authorises the Lotteries Commission to appoint a suitable person who is approved of by the Authority to operate the Adelaide Casino on its behalf. As reported in the Authority's last Annual Report, at midnight on 30 June 1998, the operation of the Adelaide Casino was transferred from Aitco Pty Ltd to Clianthus Pty Ltd following investigations conducted by the Lotteries Commission of South Australia which are required by the Casino Licence. The Gaming Supervisory Authority approved the appointment of Clianthus Pty Ltd on 29 June 1998 (Note: On 1 July 1998 Clianthus Pty Ltd changed its name to Adelaide Casino Pty Ltd).

There has been no change to the parties involved in the operation and ownership of the Adelaide Casino since the Authority's last Annual Report. **Appendix F** shows a diagrammatic representation of the parties involved in the operation and ownership of the Adelaide Casino as at July 1999 and **Appendix G** contains a report to the Authority dated 22 July 1999 from the Liquor & Gaming Commissioner regarding this matter.

6.5 General Power of the Authority to Issue Directions

Section 23 of the Casino Act 1983 authorises the Authority, by notice in writing served on the Lotteries Commission, to *give directions in relation to 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 Casino, resolved several matters throughout the report year. No formal directions were issued under section 23.

7. OTHER MATTERS RELATING TO THE ADELAIDE CASINO

7.1 Approvals

Pursuant to clauses 6(9), 9(1a) and 9(3) of the Terms and Conditions of the Casino Licence, during the course of the year the Authority jointly with the Office of the Liquor &

Gaming Commissioner, approved 26 applications relating to changes to table games and gaming machines located within the Casino.

7.2 Barrings

Section 19 of the Casino Act 1983 provides:

> ***19.*** *(1) The Minister may, on the recommendation of the Commissioner of Police or the Commissioner, make an order prohibiting a person named in the order from entering the licensed casino.*
>
> *(2) A person against whom an order is made under subsection (1) may, within thirty days after service of the order upon him, appeal against the order to the Authority.*
>
> *(3) The Authority may, upon an appeal under subsection (2), confirm or revoke the order.*
>
> *(4) A person against whom an order is in force under this section shall not contravene the order. Penalty: Ten thousand dollars.*
>
> *(5) The Minister may at any time revoke an order under this section.*

During the course of the current financial year, the Authority received 2 barring appeals. One appeal was dismissed and the other appeal was struck out for want of prosecution.

7.3 Complaints

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

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

7.4 Appeal Against Revocation of Employee Approval

The regulations under the Casino Act 1983 provide for casino employees to be approved by the Liquor & Gaming Commissioner with a right of appeal vested in the Authority.

During the financial year ended 30 June 1999, the Authority received no appeals pursuant to the regulations.

8. STATUTORY REQUIREMENTS UNDER THE GAMING MACHINES ACT 1992

8.1 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 & Gaming Commissioner. None of these reports were 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 (now Supply SA), 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.

8.2 Results of Gaming Machine Operations

The Authority has been advised by the Liquor & Gaming Commissioner in regard to the operation of gaming machines for the year ended 30 June 1999 as follows:

Number of venues with machines	539
Number of machines	11 944
Average number of gaming machines per venue	22.2
Net gambling revenue	$442.4m
Government share (gaming tax)	$191.2m
Venue share	$251.2m

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

Net gambling revenue	$1705.9m
Gaming tax (including surcharge)	$659.1m
Venue share	$1046.8m

9. OTHER MATTERS RELATING TO GAMING MACHINES

During the year changes to the Gaming Machines Act led to the establishment of two sets of tax rates, distinguishing between non-profit and other businesses.

The Act provides that a non-profit business is 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.

The rates effective for 1998-99 were as follows:

Non-Profit Businesses:

Annual NGR per venue	Tax rate
Up to $399 000	30%
$399 000 to $945 000	$119 700 + 35% of excess
Above $945 000	$310 800 + 40% of excess

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

Any Other Business

Annual NGR per venue	Tax rate
Up to $399 000	35%
$399 000 to $945 000	$139 650 + 43.5% of excess
Above $945 000	$377 160 + 50% of excess

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

The Liquor & 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.

10. INQUIRIES INTO GAMBLING IN SOUTH AUSTRALIA AND AUSTRALIA

During the course of the year several inquiries relevant to the work of the Authority were undertaken. The Social Development Committee, convened by the Parliament of South Australia to inquire into gambling within South Australia, provided its report in August 1998. The Australian Productivity Commission also conducted its national inquiry into Australia's Gambling Industries, providing its Draft Report in July 1999.

In May 1999, the Australian Senate established a Select Committee to inquire into Online Gambling and in March 1999 the South Australian Legislative Council established the Select Committee on Internet and Interactive Home Gambling and Gambling by Other Means of Telecommunication in South Australia to inquire into Internet Gambling. At the time of publishing this Report, both inquiries are continuing.

This Annual Report is signed by the Gaming Supervisory Authority and is submitted in accordance with a resolution of the Authority made on 8 September 1999.

…….…....
DJ Green, BComm, LLB(Hons), LLM, MBA(Hons), FTIA, FAICD, AIMM, MNIA
Acting Presiding Member

……
AM Pederick, FCPA, FCIS, FCIM, JP
Member

……..…
MJ Jeffreys, AssocDipBus, FAHRI, AFAIM, MAICD
Member

……
JH Brown, LLB, MAICD
Member

APPENDIX A

Profile of Staff Remuneration Levels

as at 30 June 1999

CLASSIFICATION	FEMALES	MALES	TOTAL
ASO1			0
ASO2	1		1
ASO3			0
ASO4			0
ASO5			0
ASO6			0
ASO7			0
ASO8	1		1
CONTRACT			0
MAS1			0
MAS2			0
MAS3			0
EL1			0
EL2			0
EL3			0
EXA			0
EXB			0
EXC			0
EXD			0
EXE			0
EXF			0
TRA12		1	1
TOTAL	**2**	**1**	**3**

APPENDIX B

Department of Treasury and Finance

Gaming Supervisory Authority

Operating Statement for the year ended 30 June 1999

	Note	1999 $'000	1998 $'000
OPERATING EXPENSES			
Employee Costs	3(a)	248	278
Administration Expenses		52	44
Accommodation and service costs		57	92
Depreciation		9	8
Consultants Fees	4	-	135
Total Operating Expenses		366	557
OPERATING REVENUES			
Sundry Receipts		4	2
Total Operating Revenues		4	2
NET COST OF SERVICES		362	555
REVENUES FROM GOVERNMENT			
Appropriation		421	465
Total Revenues from Government		421	465
INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		59	(90)

Statement of Financial Position as at 30 June 1999

	Note	1999 $'000	1998 $'000
CURRENT ASSETS			
Cash		20	15
Receivables	5	8	-
Other Current Assets	6	2	-
Total Current Assets		30	15
NON CURRENT ASSETS			
Property, Plant and Equipment	7	17	25
Total Non Current Assets		17	25
TOTAL ASSETS		47	40
CURRENT LIABILITIES			
Creditors and accruals	8	1	57
Employee Entitlements	3(b)	10	6
Total Current Liabilities		11	63
TOTAL LIABILITIES		11	63
NET ASSETS		36	(23)
EQUITY			
Accumulated surplus	9	36	(23)

APPENDIX B

Department of Treasury and Finance

Gaming Supervisory Authority

Statement of Cash Flows for the year ended 30 June 1999

	Note	1999 $'000 Inflows/ Outflows	1998 $'000 Inflows/ Outflows
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee Costs		(246)	(287)
Administration Expenses		(57)	(52)
Accommodation and service costs		(57)	(92)
Consultants Fees		(56)	(79)
Total Payments		(416)	(510)
Receipts			
Sundry Receipts		-	2
Total Receipts		-	2
Cash Flows from Government			
Appropriation		421	465
Net Cash Provided by Government		421	465
NET CASH USED IN OPERATING ACTIVITIES	11	5	(43)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of Office Equipment		-	(20)
Total Payments		-	(20)
Receipts			-
		-	
Total Receipts		-	-
NET CASH USED IN INVESTING ACTIVITIES		-	(20)
NET INCREASE/(DECREASE) IN CASH HELD		5	(63)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		15	78
CASH AT THE END OF THE FINANCIAL YEAR		20	15

APPENDIX B

Department of Treasury and Finance

Gaming Supervisory Authority

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:

- In relation to the Casino Act
  - Determine the terms and conditions of the licence under which the casino operates.
  - Ensure that an effective and efficient system of supervision is established and maintained over the operation of the licensed casino.
  - Advise, and make recommendations to, the Minister on matters relating to the operation of the licensed casino or on any aspect of the operation, administration or enforcement of the Casino Act.
- In relation to the Gaming Machines Act
  - Ensure that an effective and efficient system of supervision is established and maintained over the operations of all licensees (of all classes) under the Gaming Machines Act.
  - Advise, and make recommendations to, the Minister on matters relating to the operations of the licensees or on any aspect of the operation, administration or enforcement of the Gaming Machines Act.
- Exercise the other powers and functions conferred on, or assigned to, the Authority by or under the Gaming Supervisory Authority Act 1995 or any other 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 over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:-

Buildings and Improvements	10 years
Furniture and Fittings	10 years
Office Equipment - Other	5 years
Office Equipment - IT	3 years

APPENDIX B

f) Employee Entitlements

(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.

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 the 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.

3. Employee Entitlements	1999 $'000	1998 $'000
(a) Employee Costs		
Salaries and Wages	131	254
Superannuation and Payroll Tax expenses	19	24
Annual and long service leave expenses	6	(1)
Board Fees	92	1
	248	278
(b) Employee Entitlement Liability		
Aggregate Employee Entitlement Liability	10	6

4. Payments to Consultants Payments to consultants fell within the following bands:	Number of Consultants	Number of Consultants
$0 - $10,000	-	6
$10,001 - $50,000	-	2
$50,001 - $100,000	-	1
	-	9

5. Receivables		
Fees Receivable	8	-
	8	-

6. Current Assets – Other		
Prepayments	2	-
	2	-

APPENDIX B

Department of Treasury and Finance

7. Property, Plant & Equipment

	Purchase Price		Accumulated Depreciation		Written Down Value	
	1999	1998	1999	1998	1999	1998
	$'000	$'000	$'000	$'000	$'000	$'000
Office Equipment - Other	16	16	6	3	10	13
Office Equipment - IT	15	15	10	6	5	9
Buildings and improvements	3	3	1	-	2	3
	34	34	17	9	17	25

8. Creditors and accruals

	1999 $'000	1998 $'000
Administration Expenses	1	1
Consultants	-	56
	1	57

9. Accumulated surplus

	1999 $'000	1998 $'000
Balance at the beginning of the financial year	(23)	92
Adjustments due to changes in accounting policies on initial application of new accounting standards	-	(25)
Increase/(Decrease) in net assets resulting from operations	59	(90)
Balance at the end of the financial year	36	(23)

10. Commitments for Expenditure

	1999 $'000	1998 $'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	37	20
Later than one year and not later than five years	57	-
Later than five years	-	-
	94	20

11. Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

	1999 $'000	1998 $'000
Net cash provided by operating activities	5	(43)
Cash Flows from Government	(421)	(465)
Non Cash Items		
Depreciation Expense	(9)	(8)
Change in operating assets and liabilities:		
Increase/(Decrease) in receivables	8	-
Increase/(Decrease) in other current assets	2	-
(Increase)/Decrease in creditors and accruals	56	(50)
(Increase)/Decrease in employee entitlements	(3)	11
Net Cost of services	362	555

12. Remuneration of Employees

There were no employees with remuneration in excess of $100.000 employed by the Gaming Supervisory Authority during 1998-99.

13. Year 2000

The extent to which the date change from 1999 to 2000 may affect the business operations of the Gaming Supervisory Authority is being investigated by the Department of Treasury and Finance as an administered item. The Department has established a program to ensure that the impact of the change on operations is minimised. For further information reference should be made to the Financial Statements of the Department of Treasury and Finance.

APPENDIX B

Department of Treasury and Finance

In our opinion, the attached Financial Statements of the Gaming Supervisory Authority, being the Operating Statement, Statement of Financial Position and Statement of Cash Flows and the 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 1999, and state of affairs as at 30 June 1999. 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.

Mr D Green
ACTING PRESIDING MEMBER

Steven J Archer
MANAGER, FINANCIAL SERVICES

APPENDIX B

Auditor-General's Department

INDEPENDENT AUDIT REPORT

TO THE ACTING 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 year ended 30 June 1999. The financial report comprises:

- An Operating Statement
- A Statement of Financial Position
- A Statement of Cash Flows
- Notes to and forming part of the Financial Statements
- Certificate by the Acting Presiding Member and the Manager, Financial Services.

The Acting Presiding Member is 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 Acting 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 were 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 (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, 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 1999, the results of its operations and its cash flows for the year then ended.

EMPHASIS OF MATTER

Note 13 to the financial statements describes the progress in respect of ensuring that significant/core computer hardware, software and/or systems are Year 2000 compliant.

As explained in the note, while the Department of Treasury and Finance is taking action to mitigate its risks in relation to the date change from 1999 to 2000, there can be and is no audit assurance that the date changeover will not affect its ongoing operations, including financial results.

27 **September 1999**

K I MacPHERSON
AUDITOR-GENERAL

9th Floor, State Administration Centre, 200 Victoria Square, Adelaide. South Australia 5000
Telephone +61 +8 8226 9640 Facsimile +61 +8 8226 9688 DX 56208 Victoria Square

APPENDIX C

Auditor-General's Department

Ref: A99/004

31 August 1999

The Chairman
Lotteries Commission of South Australia
23 Rundle Mall
ADELAIDE SA 5000

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 1999

To the Chairman,

As required by Section 20(2) of the Casino Act, 1983, I have audited the Statement of Monthly Gross and Net Gambling Revenue for the period 1 July 1998 to 30 June 1999.

In my opinion, the Statement of Monthly Gross and Net Gambling Revenue presents fairly the financial transactions of the Adelaide Casino for the year ended 30 June 1999.

Yours faithfully

K I MacPherson
AUDITOR-GENERAL

casino iar.doc

9th Floor, State Administration Centre, 200 Victoria Square, Adelaide. South Australia 5000
Telephone +61 +8 8226 9640 Facsimile +61 +8 8226 9688 DX 56208 Victoria Square

APPENDIX C

ADELAIDE CASINO

Statement of Monthly Gross and Net Gambling Revenue for the Period

1 July 1998 to 30 June 1999

Month	Gross Gambling Revenue ($'000)	Net Gambling Revenue ($'000)
July	25,937	5,857
August	25,558	6,364
September	22,524	6,067
October	25,489	7,272
November	22,952	6,059
December	25,340	6,812
January	25,806	6,922
February	22,830	5,626
March	25,369	5,944
April	24,856	6,546
May	26,299	7,073
June	23,905	6,106
TOTAL	296,865	76,648*

* This amount represents the Casino 's Gross Profit from gambling.

To the best of our knowledge and belief, the foregoing Statement of Monthly Gross and Net Gambling Revenue gives a true and fair view of the financial transactions for the period ended 30 June 1999.

J R ROACHE
CHIEF EXECUTIVE OFFICER
LOTTERIES COMMISSION OF SA

G N BUTTON
DIRECTOR - ADMINISTRATION & FINANCE
LOTTERIES COMMISSION OF SA

APPENDIX D

Office of the Liquor and Gaming Commissioner

Our Reference: G:\CAS\WORD\GSA\ANNUALREP.DOC

Your Reference:

Liquor Licensing
Gaming Administration
Casino Regulation

9th Floor, East Wing
50 Grenfell Street
ADELAIDE SA 5000

Telephone: 061 + 08 8218 4137
Facsimile: 061 + 08 8410 1768

GPO Box 2169
ADELAIDE SA 5001
DX 363

22 July 1999

Leanne Stewart
Executive Secretary
Gaming Supervisory Authority
PO Box 67
RUNDLE MALL SA 5000

Dear Ms Stewart

Re: Re: Annual Report 1998/99

I advise that I am not aware of any contravention of, or failure to comply with, the provisions of the Casino Act 1983, or the terms and conditions of the licence for the period 1 July 1998, to 30 June 1999.

In respect to barring of persons from the Adelaide Casino, I advise that 27 persons have been barred by the Minister under Section 19 of the Casino Act, 1983 on the recommendation of the Liquor and Gaming Commissioner.

Yours Sincerely

W A PRYOR
LIQUOR and GAMING COMMISSIONER

APPENDIX E

Office of the Chief Executive
Lotteries Commission of South Australia
23 Rundle Mall
Adelaide SA 5000
GPO Box 2277
Adelaide SA 5001
Telephone (08) 8205 5500
Facsimile (08) 8231 0392
www.salotteries.sa.gov.au

6 September 1999

Ms Leanne Stewart
Executive Director
Gaming Supervisory Authority
PO Box 67
RUNDLE MALL SA 5000

Dear Ms Stewart

Re: Gaming Supervisory Authority Annual Report 1998/99

Further to your letter of 5 July 1999, the report of the Auditor-General for the year ended 30 June 1999 as required by Section 20(2) of the Casino Act 1983 and the signed Statement of Monthly Gross and Net Gambling Revenue for the period 1 July 1998 to 30 June 1999 is attached.

In addition I advise that, in accordance with Section 24(2)(b) of the Casino Act 1983 and to the best of my knowledge, there were no breaches of the Act or the Terms and Conditions of the Casino Licence by the operator, the Adelaide Casino Pty Ltd, during the period 1 July 1998 to 30 June 1999.

Yours sincerely

JUNE ROACHE
CHIEF EXECUTIVE OFFICER

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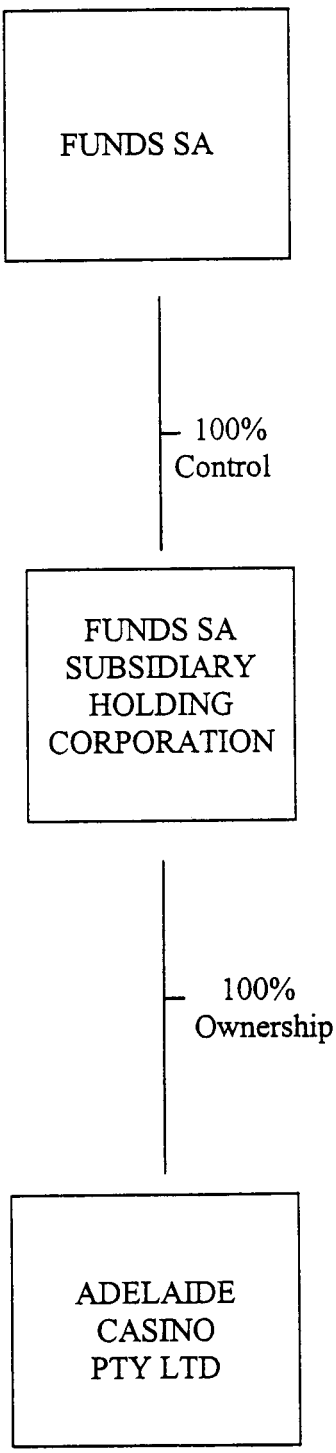
APPENDIX F

Ownership Structure - Adelaide Casino

(as at July 1999)



APPENDIX G

Office of the Liquor and Gaming Commissioner

Our Reference: DOCUMENT4

Your Reference:

Liquor Licensing
Gaming Administration
Casino Regulation

9th Floor, East Wing
50 Grenfell Street
ADELAIDE SA 5000

Telephone: 061 + 08 8218 4137
Facsimile: 061 + 08 8410 1768

GPO Box 2169
ADELAIDE SA 5001
DX 363

22 July 1999

Leanne Stewart
Executive Director
Gaming Supervisory Authority
PO Box 67
RUNDLE MALL SA 5000

Dear Ms Stewart

Mr Paul Mason, Company Secretary of Adelaide Casino Pty Ltd has advised the Manager Casino Inspectorate that there has been no variation to the relationship of parties involved in the ownership and operation of the Adelaide Casino as described in Appendix D2 of the 1997/98 Gaming Supervisory Authority Annual Report.

Yours Sincerely

W A PRYOR
LIQUOR and GAMING COMMISSIONER