



Independent Gambling Authority

Annual Report 2005–2006

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1. INTRODUCTION

This document reports on the activities of the Independent Gambling Authority for the reporting period 1 July 2005–30 June 2006.

This report combines into the one document the reports the Authority is required to make under a range of statutory annual reporting requirements (detailed in the glossary).

Reflecting those annual reporting requirements, this report is transmitted to the Minister for Gambling and to the Minister for Recreation, Sport and Racing, at the direction of the Authority.

Stephen Howells
PRESIDING MEMBER

3 October 2006

2. PRESIDING MEMBER'S REPORT

The opening of this reporting period coincided with a turning point in the work of this Authority—the implementation of a major reduction in gaming machine numbers.

At the time the Authority's new statutory charter was set out, Parliament was told that the Authority would be inquiring into the management of gaming machine numbers and their relationship with problem gambling. The inquiry process was a lengthy one, with the Authority's reporting being provided in December 2003. There then followed a year-long process for Government of developing and implementing a legislative response.

With the passing of the legislation, and the implementation of the machine numbers reduction and the trading process (intended to reduce the number of venues and therefore the easy access to gaming), came a new role for the Authority—to monitor the effects of these changes.

In the previous reporting period, the Authority addressed two new such requirements, in respect of smartcard technology and the effectiveness of government funded rehabilitation services. In this present reporting period, the Authority inquired into, and reported upon, the operation of the gaming machine entitlement process. The Authority also laid the ground for a more significant report—into the effectiveness of the amendments which were actually made by Parliament.

Another major area of work for the Authority in this reporting period has been "Review 2006"—a review of the mandatory advertising and responsible gambling codes of practice (required by law every two years), and two sets of guidelines for which the Authority is responsible.

The codes of practice apply to all commercial forms of gambling in South Australia—gaming machines in hotels and clubs, the Skycity Adelaide casino, betting with SA TAB and licensed racing clubs, and SA Lotteries. Although they are subject to Parliamentary scrutiny at the time they are made, it is the Authority's responsibility to ensure that they appropriately address the need for responsibility in the promotion and operation of the State's gambling industries.

The purpose of the game approval guidelines and gaming machine guidelines is to ensure that the Liquor and Gambling Commissioner, as the official responsible for approving casino and gaming machines games and licensing premises for gaming, is appropriately directed in these difficult tasks.

The Authority has sought to have available the broadest range of views and information to inform its considerations; it has done this through public calls for submissions with long lead times, and through receiving those submissions in public forums.

The public hearings have been well attended and addressed with vigour by a full range of stakeholders. These robust exchanges of views are both instructive and helpful for the Authority in its work. The Authority's processes have also received a level of media coverage which reflects the ongoing community concern and strength of interest in these issues.

One of the matters which came through loud and clear from the Review 2006 hearings has been the need for continuing work in monitoring, compliance and enforcement activities. The effectiveness of rules is entirely dependent on the degree to which operators comprehend them—both as to content and as to the potentially serious consequences of breaching.

In relation to hotel and club gaming—70% of gambling activity in this State—the Authority notes the diligence in representation by the peak bodies and their work in drawing these matters to their members' attention. However, the Authority cannot hold the peak bodies responsible for licensees' actual performance; that is for the licensees themselves, as influenced by the enforcement agency, the Office of the Liquor and Gambling Commissioner.

In previous reports I have expressed concern about the question of enforcement of the existing Codes of Practice provisions and other licence conditions. After four years it was good to hear that a new technique of inspection reporting has been adopted by the Commissioner's office. While there have been some changes in the way enforcement is carried out within the Commissioner's office there is no sign as yet that any change of substance has resulted. The number of inspections has declined significantly and this cannot be attributed simply to changes in the matters required to be checked; nor is it realistic to blame it on staffing levels. The fact that the numbers of reported breaches and disciplinary actions has reduced does not suggest that problems have been reduced; indeed it raises more questions than it answers. It is far more likely that what is required is a change in our attitude to enforcement and a preparedness to see the problems of compliance for what they are. If operators and regulators want to

implement the meaning and spirit of regulatory provisions they will not resort to objections about the meaning and construction of simple and practical regulatory provisions; rather there will be an positive and cooperative attempt to achieve the objectives of ensuring compliance and of reducing problem gambling.

The Authority looks for improvement in this area and I look forward to continuing the work of seeking to encourage better and more effective enforcement and improved reporting from the Commissioner's office.

During this year, the inevitable tide of industry consolidation has reached South Australia, with the takeover activity surrounding Unitab Limited—owner of SA TAB Pty Ltd, the holder of the major betting operations licence. At the time of writing, it appeared that Unitab would be merging with Tattersall's Limited, a Melbourne based company with extensive gaming machine and lotteries operations throughout Australia and overseas. This merger requires the approval of the Authority and other gambling regulators; the necessary work is being undertaken in close co-operation with the Authority's regulatory counterparts in other jurisdictions. At the time of writing no gambling regulatory approvals had been given.

In the life of the previous Parliament, the Statutory Authorities Review Committee had commenced an inquiry into the Authority. Both the Authority's Director, Robert Chappell, and I have appeared before that Committee and provided further information to assist its deliberations. At the time of writing, the inquiry had not been completed.

This year has been another year of achievement for the Authority and, as always, this is the result of sustained efforts by both the Authority's members, its small staff and the researchers and other specialists employed for particular projects. I thank them all for their efforts in working to achieve the Authority's aims and goals.

Stephen Howells
PRESIDING MEMBER

3 October 2006

3. ROLE

3.1 Legislation

The Authority is constituted as an incorporated instrumentality of the Crown under the *Independent Gambling Authority Act 1995*.

In addition to providing for the internal governance of the Authority, the IGA Act sets out overarching functions with respect to regulated gambling activities, and grants the Authority special powers to assist it in performing its functions. The IGA Act also states objects to which the Authority must have regard in performing its functions.

The Authority also has the functions and powers assigned to it under other Acts which regulate gambling activity. These are called the “prescribed Acts” and, during the reporting period, they were the *Authorised Betting Operations Act 2000*, the *Casino Act 1997*, the *Gaming Machines Act 1992*, the *Problem Gambling Family Protection Orders Act 2004*, the *Racing (Proprietary Business Licensing Act) 2000* and the *State Lotteries Act 1966*.

As at the reporting date, Ministerial responsibility for the IGA Act and the prescribed Acts (excluding the Racing (Proprietary Business Licensing) Act) was committed to the Minister for Gambling. The Racing (Proprietary Business Licensing) Act was committed to the Minister for Recreation, Sport and Racing.

3.2 Functions, powers and objects

The Authority’s general functions are set out in section 11(1) of the IGA Act as follows:

- (aa) to develop and promote strategies for reducing the incidence of problem gambling and for preventing or minimising the harm caused by gambling; and
- (aab) to undertake, assist in or co-ordinate ongoing research into matters relevant to the Authority’s functions, including research into—
 - (i) the social and economic costs and benefits to the community of gambling and the gambling industry; and
 - (ii) the likely impact, both negative and positive, on the community of any new gambling product or gambling activity that might be introduced by any section of the gambling industry; and
 - (iii) strategies for reducing the incidence of problem gambling and preventing or minimising the harm caused by gambling; and
 - (iv) any other matter directed by the Minister; and
- (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.

[References are the paragraph references from section 11(1).]

In addition, the Authority has specific functions under individual provisions of the prescribed Acts.

The Authority has the power to do anything necessary for or incidental to its functions (section 11(2)), and without limiting those powers has the power to require the Liquor and Gambling Commissioner to furnish it with reports and to give the Commissioner directions in relation to the discharge of his mandatory functions under the prescribed Acts (sections 11(3) and (4)). The Authority also has the power to conduct inquiries at which evidence may be compelled under oath (sections 13 and 14).

In performing any of its functions or exercising any of its powers, the Authority is required by section 11(2a) of the IGA Act to have regard to the following objects:

- (a) the fostering of responsibility in gambling and, in particular, the minimising of harm caused by gambling, recognising the positive and negative impacts of gambling on communities; and
- (b) the maintenance of an economically viable and socially responsible gambling industry (including an economically viable and socially responsible club and hotel gaming machine industry) in this State.

3.3 Organisation of the Authority

3.3.1 *Composition of the Authority*

The Authority is comprised of up to 7 members appointed by the Governor of South Australia on the nomination of the Minister for Gambling.

Section 5(1)(a) of the IGA Act requires one of the members to be a legal practitioner of at least 10 years standing. By operation of section 5(4), this member is the presiding member of the Authority. Section 5(1)(b) of the IGA Act allows for the appointment of up to 6 additional members who together have the necessary abilities and experience. Section 5(2) requires that at least two of the members are men and two members women.

Membership of the Authority as at 30 June 2006 was as follows:

Stephen John Howells, BA, LL B: appointed presiding member from 15 August 2002; current term runs until 14 August 2007.

Margaret Julia Kelly, LL B, LL M: appointed as a member and as deputy to the presiding member from 28 August 2003; current term runs until 28 August 2009.

Robyn Lee Buckler, Dip Teaching, Grad Dip Legal Studies: appointed from 1 October 2004; current term runs until 30 September 2007.

John Thomas Hill, BEc: appointed from 15 July 2004; current term runs until 14 July 2007.

William Rex Jory: appointed from 24 March 2005; current term runs until 23 March 2008.

Margaret Wallace, BA, Dip Teaching, Grad Cert Mgt: appointed from 13 February 2003; current term runs until 30 April 2009.

Dale Peter West: appointed from 1 October 2001; current term runs until 30 September 2007.

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 allowances fixed for appointees to the Authority are—

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

In addition, members are paid attraction and retention allowances in the amounts of \$10 000 per annum for the presiding member and \$7 200 per annum for each of the other members.

There has been no change to these allowances during the reporting period.

3.3.3 Meetings of the Authority

Under section 13 of the IGA Act, the presiding member (or deputy) and three other members constitute a quorum of the Authority.

The Authority holds regular board meetings, on a monthly basis and as required. The following table sets out members' attendance at meetings of the Authority.

<i>Member</i>	<i>S Howells</i>	<i>M Kelly</i>	<i>M Wallace</i>	<i>D West</i>	<i>J Hill</i>	<i>R Buckler</i>	<i>R Jory</i>
<i>Attended</i>	10	11	10	10	11	11	10
<i>Held</i>	11	11	11	11	11	11	11

Under section 11A of the IGA Act, the Authority is able to establish committees with committee membership extending to non-members. The committees active during the reporting period comprised:

Regulation committee

Convener: Ms Kelly; *Key participants:* Mr Hill, Mr West, Mr Jory and the Director.

Responsible Gambling committee

Convener: Mr West; *Key participants:* Ms Wallace, Ms Buckler, Mr Jory, Mr Hill and the Director.

Audit committee

Convener: Mr Hill; *Key participant:* Ms Kelly.

All members of the Authority (whether or not nominated as key participants) are members of all committees and are therefore entitled to participate in meetings.

3.4 Relationship with other agencies and entities

3.4.1 Key relationship—Liquor and Gambling Commissioner

The general principle underpinning the regulatory model for licensed gambling businesses in South Australia is that the Liquor and Gambling Commissioner is responsible to the Authority for the **constant scrutiny** of the licensees' operations.

This principle is supported by the Authority's powers (noted under heading 3.2) to require reports from the Commissioner and to give the Commissioner directions concerning the discharge of his non-discretionary regulatory functions. The principle applies in the context of the Commissioner having extensive powers of inspection under the relevant prescribed Acts; having, with respect to licensees under the Gaming Machines Act, disciplinary powers; and having, under the licensing agreements approved in respect of the casino licence and the major betting operations licence, some preliminary disciplinary functions.

A formal reporting relationship has been established under which the Commissioner provides the Authority with detailed monthly reports of his regulatory activities in an agreed format. This format was reviewed and modified during the reporting period.

3.4.2 Local stakeholder relations

The Authority has identified the following local stakeholders with whom it maintains a dialogue:

- ◆ industry—the AHA and Clubs SA; the management of Skycity Adelaide, SA TAB Pty Ltd and the Lotteries Commission; the controlling authorities for Thoroughbred, Harness and Greyhound racing; and the South Australian Bookmakers' League;
- ◆ Concern Sector (non-government)—the Heads of Christian Churches Gambling Task Force and the charitable agencies providing gambler rehabilitation services;
- ◆ the Department for Families and Communities;
- ◆ government and non-government bodies whose functions are regulatory or quasi-regulatory—SA Police, the State Procurement Board (as holder of the gaming machine supply licence), Independent Gaming Corporation Limited (the gaming machine monitor licensee) and the Office for Racing.

3.4.3 National liaison

The Authority acknowledges the importance of exchanges of information and views with regulators in other Australian and international gambling jurisdictions.

The Authority represents the Minister for Gambling in the Gambling Research Australia program. (The Director is the convener of the GRA working party.)

The Authority participates in knowledge sharing and the development of national approaches to gambling regulation through its participation in the annual conference of Australasian casino and gaming regulators. The meeting for the reporting period, held in Queensland in May 2006, included two days of formal papers by both regulators and external presenters, and was preceded by separate forum meetings of regulatory chief executives and members of regulatory commissions and authorities.

The Director is a member of the forum of the chief executives of Australasian casino and gaming regulators. This CEOs' forum holds two meetings each year (one of which is held in conjunction with the annual regulators' conference) and has appointed working parties dealing with responsible gambling, wagering regulation, lottery regulation, inter-jurisdictional suitability investigations and gaming machine standards. Staff of the Authority participate in those of the CEOs' working parties which are relevant to the Authority's functions.

3.4.4 International liaison

While there are significant economic, structural and cultural differences in the way gambling products are handled in different jurisdictions, the products themselves are very similar and there are many common issues. Continuing issues at the international level include—

- ◆ how to regulate for responsibility in gambling;
- ◆ global consolidation, with particularly reference to the emerging casino markets in Asia;
- ◆ internet gambling.

The Authority has also continued its contact with overseas gaming jurisdictions, principally through its participation in the annual gaming law conference of the International Association of Gaming Regulators and the International Association of Gaming Attorneys in September 2005. The Authority also participated in the June 2006 seminar of the International Masters of Gaming Law.

4. ADMINISTRATION

4.1 Service level agreement with DTF

The Authority has a formal service level agreement with the Under Treasurer for the provision of administrative support from the Department of Treasury and Finance in the following areas:

- ◆ accounting and budget management;
- ◆ human resources;
- ◆ information technology.

4.2 Human resources

4.2.1 Staff

The Authority is supported by a small office.

The staff are contracted, under the *Public Sector Management Act 1992*, to the chief executive of the Department of Treasury and Finance on conditions which parallel those in the Department. The Director of the office, Robert Chappell, is responsible for the management of the office and also holds the statutory appointment of Secretary under section 10 of the IGA Act.

As at 30 June 2006, there were 5 staff regularly employed in the office. One was an executive officer (male). The 4 non-executive staff are female. In addition, the Authority has a small team of casual staff who assist with the voluntary barring process. None of the staff has identified as of Aboriginal or Torres Strait Islander background.

During the reporting period 2 new staff were recruited and 4 staff left (one of whom had been recruited during the period). The status of a further staff member was converted from casual to short term contract. Two of the staff are employed on short-term contracts (renewable, but less than two years), two are on-going employees and one is employed on a long-term contract.

One staff member is in the age bracket 30–34 years, one in the bracket 35–39 years, two in the bracket 45–49 years and one in the bracket 50–54 years.

Two staff are paid in the \$40 400–\$54 999 salary range, two in the \$69 000–\$88 999 salary range, and one in the \$89 000+ salary range.

These disclosures are consistent with and comparable to general South Australian workforce reporting.

4.2.2 Staff training and development

The Authority supports 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 in the course of routine staff meetings.

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.

4.2.3 Leave management

The average number of sick days per full time equivalent employee taken during the reporting period was 6.6 days.

0.578 days of family carer leave per full time equivalent was taken during the reporting period.

4.2.4 Voluntary flexible working arrangements

Public sector voluntary flexible working arrangements are designed to assist employees to better manage their work and other responsibilities and interests. During the reporting period, flexitime was utilised by the 4 non-executive staff members.

4.2.5 Equal employment opportunity

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

4.2.6 Occupational health and safety

No WorkCover claims were made during the reporting period.

4.2.7 Disability action

The Authority ensures, on a service by service basis, that the services it delivers to the public are offered in a manner which accounts for disability in accordance with the approach mandated for the South Australian public sector.

4.3 Consultancies

Set out in **Appendix C** is a summary of the external consultants that have been engaged by the Authority during the course of the year. The majority of these consultancies relate to specialist research services commissioned by the Authority.

4.4 Overseas travel

In September 2005, one member represented the Authority at the International Gaming Law Conference of the International Association of Gaming Attorneys and the International Association of Gaming Regulators held in Vancouver, Canada. In June 2006, one member represented the Authority at the International Masters of Gaming Law seminar held in Ljubljana, Slovenia.

4.5 Financial and related disclosures

4.5.1 Financial report

On behalf of the Authority, DTF's Director, Financial Services prepares annual financial statements for approval by the Authority and 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 A**.

4.5.2 Contractual arrangements

Public sector agencies are required to report contractual arrangements costing more than \$4 million and exceeding one year in duration. The Authority did not enter into any such contractual arrangement during the reporting period.

4.5.3 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 (\$'000)</i>	<i>%</i>
Paid by the due date	452	93	798	92
Paid within 30 days or less from the due date	30	6	52	7
Paid more than 30 days from the due date	5	1	4	1
Total	487	100	854	100

Note: The due date is defined as per clause 11.2 of 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.

4.5.4 Fraud

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

4.6 Freedom of information

There were two FOI applications made to the Authority in the reporting period.

5. RESPONSIBLE GAMBLING

5.1 Overview

The reporting period has again been one of significant responsible gambling activity.

- ◆ The Authority provided the Liquor and Gambling Commissioner with guidelines to assist in the assessment of the social impact of the approval of new gaming machine licences. (These guidelines are expressly provided for in section 15(5) of the Gaming Machines Act, which requires the Commissioner to have regard to the likely social effect of the grant of a proposed licence on the local community and, in particular, the likely effect of problem gambling within the local community.)
- ◆ The Authority commenced the mandatory biennial review of codes of practice required under the *Casino Act 1997*, *Gaming Machines Act 1992*, *State Lotteries Act 1966*, and *Authorised Betting Operations Act 2000*—this review was combined with a review of the game approval guidelines and the gaming machine licensing guidelines and the resolution of the second stage codes of practice issues.
- ◆ The Authority completed the third of the inquiries required to be held as a result of the enactment of the *Gaming Machines (Miscellaneous) Amendment Act 2004*—the inquiry into the implementation of gaming machine entitlements.
- ◆ The Authority completed the second year of administration of the Problem Gambling Family Protection Orders scheme.
- ◆ The Authority completed administration of the fourth full year of the voluntary barring scheme.
- ◆ The Authority continued to monitor the application of game approval guidelines by the Liquor and Gambling Commissioner.
- ◆ The Authority continued its contract with the National Institute of Labour Studies at Flinders University, begun in January 2004, to undertake a systematic study of the impact of new responsible gambling initiatives, including the initiatives contained in codes of practice. The associated report is at first draft stage.
- ◆ The Authority commissioned the SA Centre for Economic Studies to conduct research regarding the economic impacts (positive and negative) of gambling within the South Australian community. The report was in preparation for publication at the time of reporting.
- ◆ The Authority commissioned the Australian Institute of Primary Care at Latrobe University to conduct research regarding the relevance and role of gaming machine games and game features on the play of problem gamblers. The associated report was in peer review at the end of the reporting period.

- ◆ The Authority commissioned University of Adelaide researchers to investigate the propensity of gaming machines to consume (relationship between actual gambling spend and the potential maximum spend over time; that is, whether there is a systematic relationship between gaming machine game characteristics and expenditure). This work is ongoing.
- ◆ The Authority finalised an update of its literature review of a decade of Australian and New Zealand gambling research.
- ◆ A gambling prevalence study was commissioned by the Department for Families and Communities with support and funding from the Authority to expand and enhance the study design, including increasing the sample size from 6 000 (used for the previous study) to 18 000.
- ◆ The Authority commissioned research to inform the third of the inquiries required to be held as a result of the enactment of the *Gaming Machines (Miscellaneous) Amendment Act 2004*—the inquiry into the impact of the 2004 amendments.
- ◆ The Authority continued to represent South Australia in the national research program. During the reporting period, reports were published on the national definition of problem gambling and gamblers' use of pre-commitment strategies, and ongoing work continues.
- ◆ The Authority continued to convene a gambling and crime taskforce.
- ◆ The Authority continued to convene an intra-government responsible gambling forum.
- ◆ The Authority has worked closely with the Department for Families and Communities with regard to implementation of the recommendations of the inquiry into the effectiveness of government funded gambling rehabilitation services.
- ◆ The Authority continued its on-going working relationship with the Australian Hotels Association's Gaming Care early intervention agency.

As part of its on-going responsible gambling role, staff of the Authority participate in relevant national forums, including the responsible gambling working party of the CEOs' forum and the National Association for Gambling Studies.

Presentations by staff to the Break Even network and attendance at forums to provide information about the Authority's responsible gambling initiatives, and attendance at gambling awareness week activities, continued to occur.

5.2 Review 2006—codes of practice and other regulatory functions

5.2.1 History

The *Statutes Amendment (Gambling Regulation) Act 2001*, enacted on 31 May 2001, made provision for the approval by the Authority of mandatory advertising and responsible gambling codes of practice to apply to the casino, SA Lotteries, SA TAB, licensed racing clubs and gaming machine venues (hotels and clubs).

Following widespread consultation, which included public hearings and submissions from stakeholders, advertising and responsible gambling codes of practice, referred to as “first stage” codes of practice, were settled in December 2003 and became operational on 30 April 2004. These codes contain uniform measures applicable to all areas of the gambling and wagering sector, and include several initiatives that were largely supported by stakeholders.

The Authority has monitored the implementation of first stage measures by industry stakeholders. A report of a study into the impact of the first stage measures, commissioned by the Authority and begun in January 2004, is in the early stages of completion.

Following the settlement of the first stage codes, there remained 12 issues for further consultation. These are referred to as “second stage issues”. With more issues added, there are now 16 second stage issues.

Mirror provisions in each of the *Gaming Machines Act 1992*, the *Casino Act 1997*, the *State Lotteries Act 1966* and the *Authorised Betting Operations Act 2000*, provide that the Authority must review the advertising and responsible gambling codes of practice at least every two years. The second anniversary of implementing the first stage measures fell on 30 April 2006.

5.2.2 Review 2006

In late January 2006 the Authority announced that it was reviewing the codes of practice as required under the relevant prescribed Acts. The review is referred to as Review 2006.

Review 2006 also includes a review of two other regulatory functions particularly directed at responsible gambling. They are the game approval guidelines issued to the Liquor and Gambling Commissioner with effect from 1 July 2003, and the gaming machine licensing guidelines issued to the Commissioner in November 2005.

In addition, the Authority in announcing Review 2006 advised that it had reached a position regarding a number of the second stage issues and sought comment from stakeholders about that position as part of the Review.

A guide for making written submissions was developed and calls for submissions were made by way of advertisements in *The Advertiser* and *The Australian* on Tuesday 25 January 2006 and Saturday 4 February 2006. Submissions were received from 21 stakeholders.

A public hearing was also held over 2 days in May 2006—Tuesday 23 May 2006 and Wednesday 24 May 2006—at which people were invited to speak to their submission and that of others. Twelve stakeholders made presentations on the day.

5.3 Inquiries

5.3.1 Background

The *Gaming Machines (Miscellaneous) Amendment Act 2004* was assented to on 9 December 2004, following an extensive debate. This Act was the Parliamentary

response to the report of the Authority's inquiry into the management of gaming machine numbers, provided to the Minister in December 2003. Among the various changes made to Acts were new provisions in the Gaming Machines Act requiring the Minister for Gambling to obtain from the Authority four reports, all within particular timeframes.

Two of those reports regarding smartcard technology and the effectiveness of government funded gambling rehabilitation services, were provided during the previous reporting period. The remaining two reports are—

- ◆ under new section 89(1)(a), a report on the introduction of gaming machine entitlements, the operation of the trading system for gaming machine entitlements, and the effects on the gambling industry, with such report to be delivered to the Minister before 31 December 2005;
- ◆ under new section 89(1)(b), a report on the effects of the 2004 amendments on gambling in the State and in particular, on whether those amendments have been effective in reducing the incidence of problem gambling and the extent of any reduction, with such report to be delivered to the Minister as soon as practicable after the second anniversary of the commencement of the 2004 amendments.

5.3.2 *Gaming machine entitlements*

In December 2003, the Authority presented the Minister for Gambling with the Report of its *Inquiry into the Management of Gaming Machine Numbers* (“the numbers inquiry”). The report contained a number of recommendations, which included—

- ◆ that the number of gaming machines should be reduced by 20% (approximately 3 000 machines);
- ◆ that the number of gaming machines in each venue should be reduced by 8 (with the proviso that reduction should not reduce the number of gaming machines in a venue below 20);
- ◆ the maximum number of gaming machines permitted on site should remain at 40;
- ◆ that the gaming machine licensing process should take account of social impacts;
- ◆ that, once the number of gaming machines had been reduced, the right (or entitlement) to operate a gaming machine should become transferable (from site to site) through a centrally managed market priced sale process;
- ◆ that special legislative arrangements should be made to facilitate a scheme described in submissions made by Clubs SA as “Club One”.

The *Gaming Machines (Miscellaneous) Amendment Act 2004* made provision for the entitlement trading system and mandated the reduction in gaming machine numbers through amendments to the Gaming Machines Act. The Act did not allow for market - pricing, instead fixing \$50 000 as the acquisition consideration for an entitlement.

The trading system itself is described in detail in regulations made under the principal legislation, primarily regulation 14 of the Gaming Machines Regulations 2005.

The reduction in gaming machine numbers was to be achieved by firstly, the Liquor and Gambling Commissioner issuing licensees with a number of gaming machine entitlements (February 2005) and secondly, with effect from 1 July 2005, it becoming a requirement that a licensee operate no more gaming machines than the number of entitlements. Trading in entitlements was able to occur prior to 1 July 2005, with the first round of trading occurring in May 2005. A second trading round was held in October 2005.

As noted above, the Gaming Machines (Miscellaneous) Amendment Act inserted special reporting requirements, including about the introduction of gaming machine entitlements, the operation of the trading system for gaming machine entitlements and the effects on the gambling industry, with such report to be delivered to the Minister before 31 December 2005.

In that respect, the Authority began a process of consultation with stakeholders in September 2005. That consultation process involved—

- ◆ the Authority writing to all licensees who had participated in the trading process;
- ◆ the Department of Treasury and Finance providing information upon written request;
- ◆ meetings with officers of the Office of the Liquor and Gambling Commissioner other key stakeholders.

The report was provided to the Minister on 23 December 2005 and was provided to members of Parliament in January 2006. A copy of the report is posted on the Authority's website.

5.3.3 2004 Amendments

Planning was undertaken for the inquiry into the impact of the 2004 amendments, on which a report is due as soon as practicable after their second anniversary (9 December 2006). It was decided that the call for submissions should close as late as possible, to enable stakeholders to participate with as much experience of the new arrangements as possible. (The date chosen was 30 October 2006.)

To inform the 2004 amendments inquiry, the Authority undertook a public tender process in late March 2006 to commission research that will form part of the guidelines. The successful tenderer, Adelaide Research and Innovation Pty Ltd, began the research in May 2006 in collaboration with Harrison Health Research.

(The research report was delivered within contract expectations and the call for submissions made on 30 August 2006.)

5.4 Problem gambling family protection orders scheme

The scheme under the *Problem Gambling Family Protection Orders Act 2004* commenced operation on 1 July 2004, with the Authority being the agency principally responsible for the operation of the scheme.

The Problem Gambling Family Protection Orders Act was enacted following a report—about options for an intervention approach for families affected by problem

gambling—being requested by the Minister for Gambling in March 2003 and provided by the Authority in June 2003.

The Minister reports separately to Parliament on the operation of the scheme, under section 18 of the Problem Gambling Family Protection Orders Act.

Thirty-eight enquiries were received to 30 June 2006, and there were also additional calls in relation to three enquiries made the preceding year. Five enquiries progressed to a formal complaint being made, and four complaint cases continued from the preceding year.

For four of the five complaints made in the current reporting year, the Authority sought the attendance of the complainant and respondent (problem gambler) at a pre-hearing meeting to seek the agreement of the respondent to address their problem gambling without the Authority proceeding to a formal hearing. For the remaining complaint, the Authority adjourned the case pending completion of proceedings under the Domestic Violence Act.

The pre-hearing meetings held to date have resulted in the respondent consenting to undertake certain actions to address their gambling (referred to as “consent orders”) or agreeing to voluntary barring orders under section 15B of the IGA Act. Both involve the problem gambler signing documentation that details what they have agreed.

With regard to the status of the nine complaints received during the first two years operation of the scheme, all of which remained active during this reporting year—

- ◆ 4 complaints progressed to a formal hearing of which 3 are still current and one has been completed (the latter due to the couple separating and child maintenance payments now being made);
- ◆ 1 complaint (dependent spouse) was adjourned indefinitely due to the couple’s separation;
- ◆ 1 complaint was initially adjourned pending finalisation of proceedings under the Domestic Violence Act and following finalisation of those proceedings, the complaint was adjourned indefinitely upon the complainant advising that the reason for making the complaint no longer existed;
- ◆ 1 case is currently adjourned due to the separation of the complainant and the respondent, and the respondents attendance at problem gambling programs of her own volition;
- ◆ 1 case is due to have a formal hearing following the respondent’s non-attendance at the pre-hearing meeting;
- ◆ in 1 complaint the respondent has voluntarily entered the intensive therapy program at Flinders Medical Centre, with the Authority determining to take no formal action, pending review of that initiative.

5.5 Voluntary barring process

Section 15B of the IGA Act requires the Authority to provide a voluntary barring scheme for self identified problem gamblers.

This section provides for the Authority—

- ◆ by order—
- ◆ on the written request of an individual—
- ◆ to bar the person from the casino or the licensed gaming areas of one or more hotels or clubs—
- ◆ and to notify the relevant licensees.

The voluntary barring process involves a first time applicant undergoing a structured interview to establish the existence and nature of the gambling problem, the taking of a photograph and the completion of relevant forms.

A person requesting to be barred from additional venues will not generally be required to undergo another interview, but must (in order to comply with the IGA Act) make the request in writing.

Once orders are made barring a person from the areas of gaming machine venues licensed for gaming machines, or in respect of the casino, the person is notified in writing. Each venue also receives written notice, which includes the person's photograph.

A person who enters an area from which he or she is barred commits an offence. In addition, the Authority has given binding directions to licensees requiring them to take reasonable steps to ensure that excluded persons do not enter or remain in places from which they are barred.

The scheme legislation commenced on 1 October 2001. By 30 June 2005, 606 individuals had been the subject of barring orders. During the reporting period, 141 people (2005, 184) sought voluntary barring for the first time, bringing to 747 the number who have been barred since the start of the scheme.

A person who has been barred for at least 12 months may request revocation of some or all of the barring orders made. During the reporting period, 47 people had all of their barring orders revoked.

The number of people barred at 30 June 2006 was 633 (at 30 June 2005, 539).

The Authority records as a “session” each occasion when a person requests voluntary barring. This might be the request made on an initial interview, or it might be a subsequent request for additional barring orders (in which case an interview will generally not be necessary). There were 305 such sessions during the reporting period (2005, 338), resulting in 1 411 separate pieces of correspondence (2005, 2 666).

The Authority has also adopted the routine practice of providing venues with consolidated barring reports at least once every twelve months to ensure that venues have up to date records of persons barred from their venue. These reports contain photos and names of all barred persons relevant to the particular venue at the time the report is sent.

The cost of administering the voluntary barring scheme, which has been met from within the Authority's normal operating budget, is estimated at \$16 269. (The detail of this unaudited estimate is set out in **Appendix D.**)

In administering the voluntary barring scheme the Authority seeks to balance the interests of the applicants with the compliance burden imposed on licensees. The processes for the scheme are themselves the subject of ongoing review. The Authority has obtained the assistance with this from the relevant peak licensee bodies (AHA (SA) and Clubs SA) and Break Even counsellors.

5.6 Guidelines for the Commissioner

5.6.1 Game approval guidelines

Section 37A of the Casino Act and section 40 of the Gaming Machines Act require the Liquor and Gambling Commissioner to take into account guidelines issued by the Authority when considering whether the approval of a new game would be likely to exacerbate problem gambling. Under those provisions, the Commissioner is only able to grant the application if satisfied that exacerbation is not likely.

The Authority consulted directly with industry and Concern Sector stakeholders on a compendium of gaming machine game characteristics, including rates of play, illusions of control and the winning of “free” games.

In framing the guidelines, the Authority was mindful of observations made by the Commissioner when considering earlier applications for which the evidence was not necessarily clear. The Authority has sought, in formulating the guidelines, to assist the Commissioner in dealing with what is arguably ambiguous evidence. Guidelines were issued on 2 June 2003, with an effective date of 1 July 2003.

Throughout 2006 the Authority has continued to monitor the application of the guidelines and any issues arising. (The guidelines are being reviewed as part of Review 2006.)

5.6.2 Game machine licensing guidelines

Under section 15(5) of the *Gaming Machines Act 1992* the Authority has a function to give guidelines to the Liquor and Gambling Commissioner to which regard must be had when determining an application for a gaming machine licence. Section 15(5) was a measure included in the *Gaming Machines (Miscellaneous) Amendment Act 2004*—a package of amendments to the Gaming Machines Act implementing the Authority’s recommendations for the management of gaming machine numbers.

On 2 November 2005, the Authority issued gaming machine licensing guidelines to the Commissioner. The purpose of the guidelines is, without limiting the scope of the enquiries or actions that might be taken by the Liquor and Gambling Commissioner, to promote the intent of section 15(5) of the *Gaming Machines Act 1992*—namely that the process of granting gaming machine licences have appropriate regard to the likely social effect the grant of a proposed licence might have on the local community and, in particular, the likely effect of problem gambling within the local community.

A review of the gaming machine licensing guidelines has been included in Review 2006. While the guidelines are new, they have been included in the review because of their potential interrelationship with the codes of practice and because there had been no opportunity for general consultation prior to their being issued.

5.7 Research

5.7.1 Study into relationship between problem gambling and crime

The Authority's report of its study into the relationship between problem gambling and crime, which the Office of Crime Statistics and Research (OCSAR) was commissioned to undertake, was tabled in Parliament on 28 October 2004. The study sought to identify the extent to which problem gambling contributes to crimes dealt with in the justice system and the extent to which existing data collections allow this to be determined.

The report identified that the significant limitations of the various agencies' data collection systems make it difficult to draw confident conclusions about the extent of problem gambling related crime in South Australia and the exact nature of the relationship between gambling and crime, other than that there is a connection between problem gambling and crime worthy of further and on-going examination.

The Authority undertook to establish a taskforce to identify strategies for gaining a greater understanding of the relationship between gambling and crime. It noted that this could involve time limited studies, improved data collection systems (having regard to existing difficulties, resource issues and practical applications of any such data), or a specific data gathering and research project.

The first meeting of the gambling and crime taskforce was held in June 2005, and a subsequent meeting on 23 February 2006. The taskforce includes representatives from the agencies that contributed to the study undertaken by OCSAR—police, courts, corrections, legal services, offender's aid, OCSAR and the Department for Families and Communities.

Taskforce members have identified potential areas of research within their agency, which could further current understanding about the relationship between gambling and crime. These areas are being considered with the Authority's ongoing research agenda.

5.7.2 Impact of new harm minimisation measures

The Authority contracted the National Institute of Labour Studies (NILS) at Flinders University to design and undertake research to identify the impact of new harm minimisation measures, including initiatives to be contained in codes of practice. NILS began the research project in January 2004, completing it in May 2006 with the provision of a first draft of its report.

5.7.3 Economic impacts of gambling

The Authority commissioned the SA Centre for Economic Studies to conduct research regarding the economic impacts (positive and negative) of gambling within the South Australian community. The final report has been received and is being prepared for publication.

5.7.4 Relevance and role of games and game features

The Authority commissioned the Australian Institute of Primary Care at Latrobe University to conduct research regarding the relevance and role of gaming machine games and game features on the play of problem gamblers, the associated report of which is at first draft stage.

5.7.5 Propensity study

The Authority commissioned Adelaide Research and Innovation Pty Ltd at the University of Adelaide to conduct research regarding the propensity of gaming machines to consume. This research is examining the relationship between actual gambling spend and the potential maximum spend over time; that is, whether there is a systematic relationship between gaming machine game characteristics and expenditure. The research is due to be completed towards the end of 2006.

5.7.6 Prevalence study

In mid-2005, the Authority raised with the Minister for Families and Communities the idea of repeating the 2001 gambling prevalence study undertaken by the then Department of Human Services, but with an enlarged sample and retaining a problem gambler and youth cohort for further study.

This was accepted by the Minister and, throughout the reporting period, the Authority has worked with the Department for Families and Communities on the study, contributing 40% of the cost.

Computer assisted telephone interviews were undertaken with 18 000 South Australians selected at random in November and December 2005. Since then, work has been undertaken analysing the data and writing the report.

5.7.7 Literature review update

The Authority commissioned an update of its literature review of a decade of Australian and New Zealand gambling research.

5.7.8 Gambling Research Australia

The national Ministerial Council on Gambling has established a research program, with respect to a 4 year, \$5 million research budget. In June 2003, the Minister for Gambling asked the Authority to represent South Australia's interests in the program. The memorandum of understanding constituting the program was completed in September 2003.

Following a review of the program, commissioned by the Australian Government and conducted during 2005, the program has become known as the Gambling Research Australia program (or GRA).

GRA is guided by a group of representatives of the Commonwealth, State and Territory Governments, with one additional representative from the Community Services Ministerial Advisory Council. Since May 2006, the Director of the Authority has been the convener of GRA.

In the reporting period, GRA has published reports with respect to a national definition of problem gambling (the definition and associated screening tool have been accepted by the Ministerial Council) and on gamblers' pre-commitment strategies.

Work presently in progress includes projects for the identification of problem gamblers in the gambling venue, studies into predictors of relapse in problem gambling and children at risk of problem gambling, a meta-analysis of early intervention and prevention measures, and an analysis of risk factors in rural and remote communities.

6. REGULATION

6.1 General overview

6.1.1 Overview

The traditional objectives of gambling regulation have related to the integrity of the gambling product. Regulatory regimes have sought to achieve this through requiring the people involved in providing the product to be suitable and requiring the relevant rules, equipment and procedures to be approved. The setting of suitability and approval standards and the making of the ultimate decisions have generally been entrusted to independent regulators.

In South Australia, those regulatory functions are divided between the Independent Gambling Authority and the Liquor and Gambling Commissioner. They extend over the areas of casino gaming, electronic gaming machines in hotels and clubs and the wagering activities of SA TAB, racing clubs and bookmakers.

For its part, as the supervising regulator, the Authority seeks to ensure that the level of regulation is appropriate to ensuring not only the integrity of gambling but also that there is justifiable public confidence in the integrity of gambling. In doing so, the Authority is mindful of the compliance burden which accompanies regulatory measures.

The Authority seeks to tailor those measures for which it is directly responsible, so that they address identified risks in ways which address those risks without imposing an undue compliance burden. In relation to measures for which it is not directly responsible, the Authority encourages a similar approach.

The Authority is satisfied that licensed gambling activities have been conducted with the desired integrity during the reporting period. The sections which follow provide the information required by the IGA Act and prescribed Acts with respect to regulation of gambling. They also detail key events during the reporting period.

6.1.2 Liquor and Gambling Commissioner

The general principle underpinning the regulatory model for licensed gaming activities—that the Liquor and Gambling Commissioner is responsible to the

Authority for the constant scrutiny of licensees' operations—is detailed above at section 3.4.1.

Among the statutory provisions ancillary to this general principle are the statutory annual reporting obligations of the Commissioner in relation to casino and wagering operations contained in section 71 of the Casino Act and section 90 of the Authorised Betting Operations Act. Each requires the Commissioner to provide a report to the Authority (by each 30 September in respect of the preceding year to 30 June) and requires the Authority to include that report, together with any observations that the Authority considers appropriate, in an annual report made on or before 31 October.

The Commissioner is required to report to the Minister directly on operations under the Gaming Machines Act (under section 74 of that Act). In order to present a complete picture of the Authority's overview of the Commissioner's activities, the Authority has this year again made it a requirement under section 11(3) of the Independent Gambling Authority Act that the Commissioner also report to the Authority on the operation, administration and enforcement of the Gaming Machines Act in the reporting period.

On 28 September 2006, the Commissioner furnished a document, addressing all these reporting requirements. That document is set out in **Appendix B**.

The report of the Liquor and Gambling Commissioner is included in the Authority's annual report in accordance with statutory provisions requiring its submission and publication (with or without comment) and, so far as it relates to gaming machine licensees, a similar non-statutory requirement. Any opinions expressed in the report are therefore those of the Commissioner and should not, by reason only of their publication, be regarded necessarily as those of the Authority.

6.2 Casino

6.2.1 Overview

The Casino Act makes provision for the initial grant and subsequent transfer, by the Governor on the recommendation of the Authority, of a casino licence which, subject to matters set out in the Casino Act and the terms of an approved licensing agreement, allows the licensee to conduct casino table games and to operate gaming machines, within specified casino boundaries.

The present holder of the sole casino licence is Skycity Adelaide Pty Ltd, the ultimate parent company of which is a listed public company, Skycity Entertainment Group Limited. This parent company also owns the Darwin casino and has extensive casino and entertainment interests in New Zealand.

During the reporting period, the Authority received routine financial reporting on Skycity Adelaide, and on amendments to rules of casino games and to procedures approved for the operation of the casino.

6.2.2 Report of the Commissioner

A report is required of the Liquor and Gambling Commissioner under section 71 of the Casino Act. It forms part of the document received on 28 September 2006 set out in **Appendix B**.

6.2.3 Statutory defaults and disciplinary action

There have been no statutory defaults noted or acted upon in the reporting period.

6.2.4 General power of the Authority to issue directions

Section 47 of the Casino Act allows the Authority to give directions to the licensee about any aspect of the management, supervision and control of the casino. There was, during the reporting period, one such direction in force under this provision. It applies to the exclusion of persons excluded from the casino under the voluntary barring provisions of section 15B of the IGA Act.

The direction requires the licensee to take reasonable steps—

- ◆ to ensure that excluded persons do not enter into or remain in the areas licensed for gaming, to implement procedures for this and to ensure that venue staff are instructed in the procedures;
- ◆ to keep notices of barring orders in the venue so that they are accessible to, and only to, staff and otherwise to keep confidential the identity of excluded persons.

6.2.5 Barrings and reviews

Section 45 of the Casino Act allows the Liquor and Gambling Commissioner to bar persons from the casino. This is a separate barring process to the one introduced to allow problem gamblers to be voluntarily excluded. Section 65 of the Casino Act allows those unhappy with a barring decision of the Commissioner to seek review of the decision by the Authority.

The Authority has established a formal pre-hearing process for barring matters. This process has streamlined the handling of reviews.

During the reporting period, the Authority received 4 formal review applications. All applications proceeded to a pre-hearing conference. In all cases the applicants have since advised the Authority that they wish to withdraw the review request.

6.2.6 Approval of suitable persons and review of decisions

Section 30 of the Casino Act requires Skycity Adelaide to apply to the Commissioner for approval of a person as a suitable person to work in sensitive positions. The Commissioner has discretionary powers with respect to such applications and is not required to give reasons for refusing an application.

No requests for review were received during the reporting period.

6.2.7 *Complaints*

No complaint was received during the reporting period which was considered to warrant any formal action by the Authority.

6.3 **Gaming machines**

6.3.1 *Structure of licences*

The Liquor and Gambling Commissioner is the issuing authority for the following licences under 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—these licences are held by hotels and clubs;
- (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 Procurement Board, or to another holder of a gaming machine dealer’s licence, approved gaming machines, prescribed gaming machine components and gaming equipment—these licences are held by gaming machine manufacturers and their agents;
- (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—this licence is held by the State Procurement Board;
- (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—this licence is held by Independent Gaming Corporation Limited, a company owned by the hotel and club industries;
- (e) **Gaming machine service licence**—which authorises the licensee to install, service and repair approved gaming machines, prescribed gaming machine components and gaming equipment—until 30 June 2006, this licence was held by the State Procurement Board, which acted through a service agent, Bytcraft Pty Ltd (under new arrangements in place from 1 July 2006, Bytcraft, and 19 affiliates, hold service licences).

The Authority is not the disciplinary body for these licensees. A licensee aggrieved by action taken by the Commissioner would have a remedy in the Licensing Court.

The Authority’s regulatory role concerning these licences is to have the Liquor and Gambling Commissioner satisfy the Authority that the licensees’ operations have been kept under constant scrutiny.

6.3.2 *General power of the Authority to issue directions*

Section 11 of the Gaming Machines Act allows the Authority to give to licensees “directions in relation to the carrying out of the undertaking under the licence”.

There was, during the reporting period, one such direction in force under this provision. It applies to all licensees with respect to the exclusion of persons barred under the voluntary barring provisions of section 15B of the IGA Act.

The direction requires licensees to take reasonable steps—

- ◆ to ensure that excluded persons do not enter into or remain in the areas licensed for gaming, to implement procedures for this and to ensure that venue staff are instructed in the procedures;
- ◆ to keep notices of barring orders in the venue so that they are accessible to, and only to, staff and otherwise to keep confidential the identity of excluded persons.

6.3.3 Reporting

While the Commissioner reports to the Minister directly on operations under the Gaming Machines Act under section 74 of that Act, the Authority has made it a requirement that a report also be provided, in relation to gaming machines, to it under section 11(3) of the IGA Act. That report forms part of the document received on 28 September 2006 set out in **Appendix B**.

6.4 Wagering

6.4.1 Overview

The Authorised Betting Operations Act provides for:

- ◆ one **major betting operations** licence granted by the Governor on the recommendation of the Authority, allowing for the conduct, in respect of races and approved contingencies, of off-course totalisator betting and other betting operations subject to the Act and the terms of an approved licensing agreement between the licensee and the Minister (which agreement also requires the approval of the Authority);
- ◆ a number of **on-course totalisator betting** licences granted by the Authority, allowing for the conduct of races and for the conduct of a totalisator on races;
- ◆ a number of licences for **bookmakers and agents of bookmakers** granted by the Liquor and Gambling Commissioner, allowing for the acceptance of bets at fixed odds on races and approved contingencies, subject to the relevant bookmaker principal holding a permit granted by the Commissioner.

The betting operations of the licensees are subject to conditions which are contained in the licences, in the Authorised Betting Operations Act, in regulations made by the Governor under that Act and in rules made by the Authority under that Act.

Licensees under the Authorised Betting Operations Act are subject to monitoring by the Liquor and Gambling Commissioner, who is responsible to the Authority for the constant scrutiny of their betting operations.

6.4.2 Report of the Commissioner

A report is required of the Liquor and Gambling Commissioner under section 90 of the Authorised Betting Operations Act. It forms part of the document received on 28 September 2006 set out in **Appendix B**.

6.4.3 Ministerial directions

The Authority did not receive any directions under the Authorised Betting Operations Act during the reporting period.

6.4.4 Major betting operations licence (SA TAB)

General

The major betting operations licence is held by SA TAB Pty Ltd, a wholly owned subsidiary of the listed public company, Unitab Limited.

Unitab also controls similar licences in Queensland and the Northern Territory. Under pooling agreements, betting in all three jurisdictions is consolidated and the totalisator is operated out of Unitab's Brisbane headquarters.

Under section 41 of the Authorised Betting Operations Act, the Authority has required SA TAB to have its systems scrutinised and approved by the Liquor and Gambling Commissioner. The Commissioner granted provisional approval of SA TAB's systems on 30 June 2004.

Under section 42 of the Authorised Betting Operations Act, it is a condition of SA TAB's licence that it obtain the approval of the Authority for the establishment of any new office, branch or agency. The Authority received 7 approval applications during the reporting period:

- ◆ One application related to the establishment of an SA TAB agency at Cheltenham Racecourse and was granted.
- ◆ Three applications related to the relocation of an existing outlet and were granted.
- ◆ One application related to a temporary outlet for the 2006 Magic Millions Carnival and was granted.
- ◆ Two applications related to temporary outlets for the 2005 Melbourne Cup and were granted.

Disciplinary action

The Authority is the disciplinary body in relation to the major betting operations licence. There was one statutory default noted during the reporting period, relating to a breach of the advertising code of practice. The Authority determined to deal with this, initially, by way of expiation notice—to this, SA TAB responded by making a \$5000 expiation payment.

Merger approval application

On 3 April 2006, SA TAB formally notified the Authority that Unitab proposed to merge with Tattersall's Limited. This transaction triggers change of control provisions in the Authorised Betting Operations Act, under which the approval of the Authority is required for the transaction and for the appointment of new directors. A formal approval application was later made.

The Authority has secured the agreement of its counterpart regulators in Queensland (where Unitab, but not Tattersall's, is licensed) and Victoria (where Tattersall's holds both gaming and lotteries licences) for a cooperative approach to the investigation needed for handling the application.

The merger proposal was deferred, pending the resolution of a bid by Tabcorp Holdings Limited to acquire Unitab. The Tabcorp bid was withdrawn (after the end of the reporting period) following Tabcorp's failure to secure the approval of the Australian Competition and Consumer Commission.

As at the reporting date, the merger approval application was under some form of consideration in four States and two Territories.

6.4.5 Licensing of racing clubs

An on-course totalisator licence may be held by a racing club registered by a racing controlling authority and may also be held by a racing controlling authority which conducts races. At the reporting date there were in force 47 on-course totalisator betting licences.

An on-course totalisator betting licence authorises the licensee to—

- ◆ conduct races on which betting may take place; and
- ◆ conduct on-course totalisator betting on those races, races conducted by other licensed racing clubs and races for which contingencies are approved (such as races held interstate).

There is a racing controlling authority for each of the three codes of racing: thoroughbred, harness and greyhound.

Each of the three racing controlling authorities holds an on-course totalisator betting licence and, as at 30 June 2006, 42 racing clubs had arrangements in place with their respective racing controlling authority for the management of the racing product and provision of wagering services. Acting in this formal way, to centralise the legal responsibility for their racing and on-course wagering products, is consistent with regulating for risk and has relieved individual club committees of significant compliance burdens.

The Authority is the disciplinary body in relation to these licences.

During the reporting period, no statutory default was identified in respect of these licences.

6.4.6 Licensing of bookmakers and their agents

Responsibility for the licensure of South Australia's bookmakers and agents passed from the Authority to the Liquor and Gambling Commissioner on 1 September 2004. The Authority remains the disciplinary body in relation to these licences.

During the reporting period, the Authority commenced a formal inquiry into the suitability of one bookmaker principal licensee, who relinquished the subject licence in December 2005. The Authority adjourned the inquiry indefinitely, on the basis that should the individual again seek to be licensed, the inquiry would be resumed. The Authority provided the Minister with an interim report of the inquiry, in a form which did not identify the licensee, for tabling in Parliament.

During the reporting period, the Authority commenced a formal inquiry into the suitability of one bookmaker agent licensee. The Authority concluded that no action should be taken against the agent's licence. A report was provided to the Minister, with a recommendation that it remain confidential.

6.4.7 Approval of contingencies

Licensees under the Authorised Betting Operations Act are able to accept bets in respect of races and on contingencies (in respect of events other than races) approved by the Authority by notice published in the Government Gazette.

During the reporting period, the Authority approved contingencies to allow bookmaker betting operations to be conducted on the picnic races at Innamincka in August 2005, Roxby Downs in April 2006, and Marree in June 2006. In respect of the holder of the major betting operations licence, the Authority approved 4 contingencies for fixed odds betting on sports during the reporting period.

6.4.8 Rule-making

The Bookmakers Licensing Rules 2000 were made under section 124 of the repealed *Racing Act 1976* and continue to apply under the similar provisions of section 62 of the Authorised Betting Operations Act. This section allows the Authority to make rules regulating the betting operations of licensed bookmakers; requiring security to be given for compliance with the Act and licence conditions; bookmakers' record keeping and returns; prohibiting or restricting advertising by licensed bookmakers; and other related matters.

In the reporting period, the Authority amended those rules on two occasions by making the following instruments:

- ◆ Bookmakers Licensing (Prescribed Minimum Risks) Rules 2005
These rules amend the Bookmakers Licensing Rules with respect to the risks bookmakers may be required to undertake at the exhibited or quoted price and for other purposes and inserted a classification system for race meetings.

6.5 Proprietary Racing

The *Racing (Proprietary Business Licensing) Act 2000* makes provision for the conduct, by "for profit" entities, of horse, harness or greyhound races on which it is

intended that betting take place. Apart from this Act, only a registered racing club licensed by the Authority under the Authorised Betting Operations Act is allowed to conduct such races.

The licensing regime established under the Racing (Proprietary Business Licensing) Act is similar to that for the holder of the casino licence or the major betting operations licence.

The “for profit” entity and all of its close associates would need to be investigated, and found suitable by the Authority, prior to being licensed. This Act provides for the Authority to recover its investigation costs from the applicant for a licence. It also provides that an applicant may be required to provide funds for this purpose in advance of the investigation commencing and that an investigation may be discontinued if such funds have been exhausted. The Authority has fixed \$50 000 as the initial payment an applicant would be required to make before a suitability investigation would be established.

Although the Authority and the Office for Racing (as the body supporting the Minister for Recreation, Sport and Racing on proprietary racing issues) have continued to meet with parties interested in establishing proprietary racing businesses, there has been no formal application for a licence under the Racing (Proprietary Business Licensing) Act.

GLOSSARY

AHA (SA)	Australian Hotels Association (SA Branch)
Clubs SA	Licensed Clubs' Association of South Australia Inc
DTF	Department of Treasury and Finance (South Australia)
IGA Act	<i>Independent Gambling Authority Act 1995</i>
OLGC	Office of the Liquor and Gambling Commissioner (an office within the South Australian Department of Justice)
race	a horse, harness or greyhound race conducted (in South Australia) by a licensed racing club or (elsewhere in Australia) by a body authorised under a counterpart law to the <i>Authorised Betting Operations Act 2000</i> , on which bets may lawfully be placed with a totalisator operator or a bookmaker
Reporting date	30 September (because, in 2006, this date falls on the Saturday preceding a public holiday, the actual due date for reporting this year is 3 October)
Reporting period	1 July 2005–30 June 2006 (both days inclusive)
statutory annual reporting requirements	This document relates to the obligations to make an annual report contained in the following provisions <ul style="list-style-type: none">◆ section 6A of the <i>Public Sector Management Act 1995</i>;◆ section 19 of the <i>Independent Gambling Authority Act 1995</i>;◆ section 90 of the <i>Authorised Betting Operations Act 2000</i>;◆ section 71 of the <i>Casino Act 1997</i>;◆ section 74 of the <i>Gaming Machines Act 1992</i>;◆ section 52 of the <i>Racing (Proprietary Business Licensing) Act 2000</i>.

APPENDIX A

Financial Statements

Income Statement for the year ended 30 June 2006

	Note No.	2006 \$'000	2005 \$'000
Expenses			
Employee benefits costs	4	645	714
Supplies and services	6	730	554
Depreciation expense	7	7	13
Grants, subsidies and transfers	8	163	–
<i>Total Expenses</i>		1 545	1 281
Income			
Interest revenues	10	73	70
Revenues from fees and charges	11	–	2
Other revenues	12	5	1
<i>Total Income</i>		78	73
Net cost of providing services		(1 467)	(1 208)
Revenues from/ payments to SA Government			
Revenues from SA Government	13	1 412	1 362
<i>Total Revenues from SA Government</i>		1 412	1 362
Net Result		(55)	154

The net result is attributable to the SA Government as owner

The above Statement should be read in conjunction with the accompanying notes.

Appendix A: Financial Statements—continued

Balance Sheet as at 30 June 2006

	Note No.	2006 \$'000	2005 \$'000
Current Assets			
Cash and cash equivalents	14	1 240	1 269
Receivables	15	6	7
Total Current Assets		1 246	1 276
Non-current Assets			
Property, plant and equipment	16	10	17
Total Non-current Assets		10	17
Total Assets		1 256	1 293
Current Liabilities			
Payables	17	28	9
Employee benefits	18	41	56
Total Current Liabilities		69	65
Non-current Liabilities			
Payables	17	7	6
Employee benefits	18	69	56
Total Non-current Liabilities		76	62
Total Liabilities		145	127
Net Assets		1 111	1 166
Equity			
Retained earnings		1 111	1 166
Total Equity		1 111	1 166
The total equity is attributable to the SA Government as owner			
Commitments	19		
Contingent Assets and Liabilities	20		

The above Statement should be read in conjunction with the accompanying notes.

Appendix A: Financial Statements—continued

Statement of Changes in Equity for the year ended 30 June 2006

	Retained Earnings \$'000
Balance at 30 June 2004	1 012
Changes in accounting policy	–
Restated balance at 30 June 2004	1 012
Net result for 2004–05	154
Total recognised income and expenses for 2004–05	154
Restated balance at 30 June 2005	1 166
Net result for 2005–06	(55)
Total recognised income and expenses for 2005–06	(55)
Balance at 30 June 2006	1 111

All changes in equity are attributable to the SA Government as owner

The above Statement should be read in conjunction with the accompanying notes.

Appendix A: Financial Statements—continued

Cash Flow Statement for the year ended 30 June 2006

	Note No.	2006 \$'000	2005 \$'000
Cash flows from Operating Activities			
<i>Cash Outflows</i>			
Employee benefits payments		(648)	(683)
Supplies and services		(710)	(598)
Grants, subsidies and transfers		(163)	–
GST payments on purchases		(77)	(52)
<i>Cash used in operations</i>		(1 598)	(1 333)
<i>Cash Inflows</i>			
Interest received		73	65
Fees and charges		2	–
Other receipts		5	1
GST receipts on receivables		77	52
<i>Cash generated from operations</i>		157	118
Cash flows from SA Government			
Receipts from SA Government		1 412	1 362
<i>Cash generated from SA Government</i>		1 412	1 362
Net cash provided by/(used in) operating activities	21(b)	(29)	147
Cash flows from Investing Activities			
<i>Cash Outflows</i>			
Purchase of property, plant and equipment		–	(7)
<i>Cash used in investing activities</i>		–	(7)
Net cash provided by/(used in) investing activities		–	(7)
Net increase in cash and cash equivalents		(29)	140
Cash and cash equivalents at the beginning of the financial year		1 269	1 129
Cash and cash equivalents at the end of the financial year	21(a)	1 240	1 269

The above Statement should be read in conjunction with the accompanying notes.

Appendix A: Financial Statements—continued

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Appendix A: Financial Statements—continued

1. Objectives of the Independent Gambling Authority

The Independent Gambling Authority (the Authority) is established under the *Independent Gambling Authority Act 1995* to perform the following functions:

- To develop and promote strategies for reducing the incidence of problem gambling and for preventing or minimising the harm caused by gambling;
- To undertake, assist in and coordinate ongoing research into matters relevant to the Authority’s functions, including research into:
 - The social and economic costs and benefits to the community of gambling and the gambling industry
 - The likely impact, both negative and positive, on the community of any new gambling product or gambling activity that might be introduced by any section of the gambling industry
 - Strategies for reducing the incidence of problem gambling and preventing or minimising the harm caused by gambling
 - Any other matter directed by the Minister for Gambling;
- To ensure that an effective and efficient system of supervision is established and maintained over the operations of licensees under “prescribed Acts”, namely the *Authorised Betting Operations Act 2000*, the *Casino Act 1997*, the *Gaming Machines Act 1992*, the *Problem Gambling Family Protection Orders Act 2004*, the *Racing (Proprietary Business Licensing) Act 2000* and the *State Lotteries Act 1966*;
- To advise, and make recommendations to the Minister for Gambling on matters relating to the operations of licensees under prescribed Acts or on any aspect of the operation, administration or enforcement of prescribed Acts;
- To perform other functions assigned to the Authority under the *Independent Gambling Authority Act 1995* or a prescribed Act or by the Minister for Gambling.

These functions are set out in section 11 of the *Independent Gambling Authority Act 1995*. Section 11 also requires the Authority, when exercising any discretionary power to take the following objects into account:

- The fostering of responsibility in gambling and, in particular, the minimising of harm caused by gambling, recognising the positive and negative impacts of gambling on communities;
- The maintenance of an economically viable and socially responsible gambling industry (including an economically viable and socially responsible club and hotel gaming machine industry) in this State.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with Applicable Australian Accounting Standards and Treasurer’s Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

These Financial Statements are the first statements to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). *AASBI First time adoption of AIFRS* has been applied in preparing these statements. Previous Financial Statements were prepared in accordance with Australian Generally Accepted Accounting Principles. There were no adjustments for AIFRS required to the Financial Statements.

Appendix A: Financial Statements—continued

The Authority's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a twelve month operating cycle and presented in Australian currency.

2.2 Reporting Entity

The Authority is a body corporate established by statute. Its financial arrangements are administered, but not controlled, by the Department of Treasury and Finance through an interest bearing Deposit Account named the "Independent Gambling Authority Operating Account". The account is established for the purpose of recording all the activities of the Authority including recurrent and capital expenditures, income from various activities, injections of funds provided from the Consolidated Account and borrowings.

2.3 Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change.

The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

2.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2.5 Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, fringe benefits tax, and goods and services tax.

Income, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred by the Authority as a purchaser is not recoverable from the Australian Taxation Office;
- Receivables and payables are stated with the amount of GST included.

2.6 Income and Expenses

Income and expense are recognised in the Authority's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* paragraph APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* paragraph 4.1 and 4.2 the financial report's notes disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Revenue from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Appendix A: Financial Statements—continued

For contributions payable, the contribution will be recognised as a liability and expense when the entity has a present obligation to pay the contribution and the expense recognition criteria are met. All contributions paid by the Authority have been contributions with unconditional stipulations attached.

2.7 Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Authority obtains control over the funding. Control over appropriations is normally obtained upon receipt. Appropriation receipts are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.

2.8 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Authority has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even then they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.9 Cash and Cash Equivalents

Cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

The Authority's physical cash balance is included within a single bank account, namely the Department of Treasury and Finance Operating Account, which comprises of cash balances for several deposit accounts and is managed in accordance with Treasurer's Instruction 6 *Deposit Accounts and Banking*.

2.10 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Receivables arise in the normal operation of the Authority. Receivables are expected to be settled within 30 days of the invoice date provided the goods and services have been received.

The Authority determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

2.11 Non-Current Assets Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

In accordance with Accounting Policy Framework III *Asset Accounting Framework* paragraph APS 2.16, all non-current tangible assets with a value of \$5 000 or greater are capitalised.

2.12 Impairment

All non-current tangible assets are reviewed for indication of impairment through stocktaking processes. Where there is an indication of impairment, the recoverable amount is estimated. Impairment is generally limited to where an asset's depreciation is materially understated or where the replacement cost is falling.

Appendix A: Financial Statements—continued

2.13 Depreciation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to physical assets such as property, plant and equipment.

The useful lives of all major assets held by the Authority are reassessed on an annual basis.

Depreciation for non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Office Equipment	Straight Line	3–4

2.14 Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Authority.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The Authority makes contributions to several State Government and externally managed superannuation schemes. 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 respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the schemes.

2.15 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than twelve months, the liability will be measured at present value.

The liability for long service leave is recognised after an employee has completed 7 years of service as advised in Accounting Policy Framework IV *Financial Assets and Liabilities Framework*. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value expected future

Appendix A: Financial Statements—continued

payments. This calculation is consistent with the Authority’s experience of employee retention and leave taken.

The current/non current classification of Authority’s long service leave liabilities has been calculated based on historical usage patterns consistent with paragraph 5.15 of the Accounting Policy Framework IV *Financial Asset and Liability Framework*.

2.16 Operating Leases

The Authority has entered into operating leases.

In respect of operating leases, the lessor retains substantially all the risks and rewards incidental to ownership of the leased items. Operating lease payments are recognised as expenses on a basis that is representative of the pattern of benefits derived from the leased assets.

3. Financial Risk Management

The Authority has some minor non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash on deposit). The Authority’s exposure to market risk and cash flow interest risk is minimal.

The Authority has no significant concentration of credit risk.

In relation to liquidity/funding risk, the continued existence of the Authority in its present form, and with its current programs, is dependent on Government policy and on continuing appropriations by Parliament for the Authority’s administration and programs.

4. Employee Benefits Costs

	2006	2005
	\$’000	\$’000
Salaries and Wages	338	373
Long Service Leave	12	16
Annual Leave	16	39
Board Fees	192	188
Employment on costs—superannuation	51	59
Employment on costs—payroll tax	34	37
Other employee related expenses	2	2
Total Employee Benefits Costs	645	714

Remuneration of Employees

	2006	2005
The number of employees whose remuneration received or receivable falls within the following bands were:		
\$130 000–\$139 999	–	1
\$140 000–\$149 999	1	–
Total Number of Employees	1	1

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$144 000 (\$139 000).

Appendix A: Financial Statements—continued

5. Remuneration of Board Members and Related Party Disclosure

	2006	2005
The number of Board members whose remuneration from the Authority was within the following bands were:		
\$ 1– 9 999	–	2
\$ 10 000– 19 999	–	1
\$ 20 000– 29 999	6	5
\$ 30 000– 39 999	1	1
Total Number of Board Members	7	9

The table includes all board members who received remuneration during the year. The total remuneration received by these board members for the year was \$208 000 (\$204 000). Superannuation paid on behalf of the board members to prescribed superannuation funds was \$16 000 (\$16 000). Total remuneration includes the Board fees and Superannuation paid to board members.

The following persons held the position of Board member of the Authority during the financial year:

- S J Howells (Presiding Member);
- M J Kelly;
- R L Buckler;
- W R Jory;
- J T Hill;
- M Wallace;
- D P West.

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

Unless otherwise disclosed, transactions between related parties are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

6. Supplies and Services

	2006	2005
	\$'000	\$'000
Supplies and Services provided by entities within the SA Government		
Accommodation and telecommunication	80	81
General administration and consumables	92	100
Total Supplies and Services—SA Government Entities	172	181
Supplies and services provided by entities external to the SA Government		
Accommodation and telecommunication	1	–
General administration and consumables	138	233
Consultants	412	129
Contractors	7	11
Total Supplies and Services—Non SA Government entities	558	373
Total Supplies and Services	730	554

Appendix A: Financial Statements—continued

The total supplies and services amount includes GST amounts not recovered from the Australian Taxation Office due to the Authority not holding a valid tax invoice or payments relate to third party arrangements.

The number and dollar amount of Consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:

	2006	2006	2005	2005
	Number of	\$'000	Number of	\$'000
	Consultants		Consultants	
Below \$10 000	3	8	–	–
Between \$10 000 and \$50 000	–	–	2	22
Above \$50 000	4	404	1	107
	7	412	3	129

7. Depreciation Expense	2006	2005
	\$'000	\$'000
Office Equipment	7	13
Total Depreciation	7	13

8. Grants, Subsidies and Transfers	2006	2005
	\$'000	\$'000
Grants, subsidies and transfers paid/payable to entities within SA Government		
Recurrent grant	163	–
Total Grants, Subsidies and Transfers	163	–

9. Auditor's Remuneration	2006	2005
	\$'000	\$'000
Audit Fees paid/payable to the Auditor-General's Department	7	5
Total Audit Fees	7	5

The audit fees for auditing the financial statements are paid by the Department of Treasury and Finance as these costs are met by the Department as part of the services under the service level agreement.

Other Services

No other services were provided by the Auditor-General's Department.

10. Interest Revenues	2006	2005
	\$'000	\$'000
Interest from entities within the SA Government	73	70
Total Interest	73	70

Appendix A: Financial Statements—continued

11.	Revenue from Fees and Charges	2006	2005
		\$'000	\$'000
	Fees and Charges received/receivable from entities external to SA Government		
	Other Recoveries	–	2
	Total Fees and Charges	<u>–</u>	<u>2</u>
12.	Other Revenues	2006	2005
		\$'000	\$'000
	Other revenues received/receivable from entities external to SA Government		
	Other	5	1
	Total Other Revenues–Non SA Government entities	<u>5</u>	<u>1</u>
13.	Revenues from SA Government	2006	2005
		\$'000	\$'000
	Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 412	1 362
	Total Revenues from SA Government	<u>1 412</u>	<u>1 362</u>
14.	Cash and Cash Equivalents	2006	2005
		\$'000	\$'000
	Deposits with the Treasurer	1 240	1 269
	Total Cash and Cash Equivalents	<u>1 240</u>	<u>1 269</u>
	Interest Rate Risk		
	Deposits with the Treasurer are earning a floating interest rate between 5.35% and 5.43%. The carrying amount of cash approximates net fair value.		
15.	Receivables	2006	2005
		\$'000	\$'000
	Current		
	Receivables	–	2
	Accrued revenue	6	5
	Total Current Receivables	<u>6</u>	<u>7</u>
	Total Receivables	<u>6</u>	<u>7</u>

Appendix A: Financial Statements—continued

SA Government/Non SA Government Receivables	2006	2005
	\$'000	\$'000
Receivables from SA Government entities		
Accrued revenue	6	5
Total Receivables from SA Government entities	<u>6</u>	<u>5</u>
Receivables from Non SA Government entities		
Receivables	–	2
Total Receivables from non SA Government entities	<u>–</u>	<u>2</u>
Total Receivables	<u>6</u>	<u>7</u>

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payments has not been received. Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivable approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

16. Property, Plant and Equipment	2006	2005
	\$'000	\$'000
Office Equipment at cost (deemed fair value)	45	45
Accumulated Depreciation	(35)	(28)
Total Office Equipment	<u>10</u>	<u>17</u>
Total Property, Plant and Equipment	<u>10</u>	<u>17</u>

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2006.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2005–06

	Total
	\$'000
Carrying Amount at the beginning of the Financial Year	17
Depreciation expense	(7)
Carrying Amount at the end of the Financial Year	<u>10</u>

Appendix A: Financial Statements—continued

17. Payables	2006 \$'000	2005 \$'000
Current		
Accrued Expenses	22	–
Employment on-costs	6	9
Total Current Payables	28	9
Non-Current		
Employment on-costs	7	6
Total Non-Current Payables	7	6
Total Payables	35	15
 SA Government/Non SA Government Payables		
	2006	2005
	\$'000	\$'000
Payables to SA Government entities		
Accrued expenses	3	–
Employee on-costs	6	6
Total Payables to SA Government entities	9	6
Payables to Non SA Government entities		
Accrued expenses	19	–
Employee on-costs	7	9
Total Payables to non SA Government entities	26	9
Total Payables	35	15

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Trade creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Appendix A: Financial Statements—continued

18. Employee Benefits	2006	2005
	\$'000	\$'000
Current		
Accrued Salaries and Wages	10	9
Annual Leave	31	46
Long Service Leave	–	1
Total Current Employee Benefits	41	56
Non Current		
Long Service Leave	69	56
Total Non-Current Employee Benefits	69	56
Total Employee Benefits	110	112

The total current and non-current employee benefits plus related on costs for 2006 are \$46 000 and \$76 000 respectively.

19. Commitments

(a) Remuneration Commitments

Amounts disclosed include commitments arising from executive and other employment contracts. The Authority does not offer remuneration contracts greater than 5 years.

Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

	2006	2005
	\$'000	\$'000
Not later than one year	150	145
Later than one year and not later than five years	216	367
Total Remuneration Commitments	366	512

(b) Operating Lease Commitments

At the reporting date, the Authority's operating leases are for the lease of office accommodation.

Office accommodation is leased from the Real Estate Management business unit of the Department of Administrative and Information Services. The lease is non-cancellable with terms ranging up to 3 years. The rental amount is based on floor space and the time period of the lease, with a rent increase of 3% annually. Rent is payable in arrears.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2006	2005
	\$'000	\$'000
Not later than one year	58	63
Later than one year and not later than five years	–	55
Total Operating Lease Commitments	58	118

Appendix A: Financial Statements—continued

(c) Other Commitments

The Authority's other commitments are for agreements with various organisations to undertake research/studies in relation to gambling.

	2006	2005
	\$'000	\$'000
Not later than one year	176	313
Later than one year and not later than five years	–	109
Total Other Commitments	176	422

20. Contingent Assets and Liabilities

The Authority is not aware of any contingent assets or liabilities. In addition, the Authority has made no guarantees.

21. Cash Flow Reconciliation

	2006	2005
	\$'000	\$'000
(a) Reconciliation of Cash—Cash at year end as per		
Cash Flow Statement	1 240	1 269
Balance Sheet	1 240	1 269
(b) Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of providing services		
Net Cash provided by/(used in) Operating Activities	(29)	147
Add Revenue from SA Government	(1 412)	(1 362)
Add Non cash items		
Depreciation expense	(7)	(13)
Change in Assets and Liabilities		
Increase (decrease) in Receivables	(1)	7
(Increase) decrease in Payables	(20)	40
(Increase) decrease in Employee Benefits	2	(27)
Net Cost of Providing Services	(1 467)	(1 208)

22. Events after Balance Date

There were no events occurring after balance date that had material financial implications on these financial statements.

Appendix A: Financial Statements—continued

Certification of the Financial Report

We certify that:

- ◆ the attached General Purpose Financial Report for the Independent Gambling Authority 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 in Australia, the financial position of the Independent Gambling Authority as at 30 June 2006, the result of its operations and its cash flows for the year then ended;
- ◆ the attached financial statements are in accordance with the accounts and records of the Authority and give an accurate indication of the financial transactions of the Authority for the year then ended; and
- ◆ internal controls over the financial reporting have been effective throughout the reporting period.

Margaret J Kelly
DEPUTY PRESIDING MEMBER
26 September 2006

Tony Brumfield
DIRECTOR, FINANCIAL SERVICES
25 September 2006

Appendix A: Financial Statements—continued

Independent Audit Report

**TO THE DEPUTY PRESIDING MEMBER
INDEPENDENT GAMBLING AUTHORITY**

SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Independent Gambling Authority for the financial year ended 30 June 2006. The financial report comprises:

- ◆ An Income Statement;
- ◆ A Balance Sheet;
- ◆ A Cash Flow Statement;
- ◆ A Statement of Changes in Equity;
- ◆ Notes to the Financial Statements;
- ◆ Certificate by the Deputy Presiding Member and the Director, Financial Services.

The Deputy Presiding Member and the Director, Financial Services 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 Deputy Presiding Member.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing and Assurance Standards to provide reasonable assurance whether 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*, Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with my understanding of the Independent Gambling 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 Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Independent Gambling Authority as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

27 September 2006

K I MacPherson
AUDITOR-GENERAL

APPENDIX B

Report of the Liquor and Gambling Commissioner

Pursuant to section 11(3) of the *Independent Gambling Authority Act 1995*, section 71(1) of the *Casino Act 1997* and section 90(1) of the *Authorised Betting Operations Act 2000*, I provide the Independent Gambling Authority with my report on the administration of the *Gaming Machines Act 1992*, *Casino Act 1997* and *Authorised Betting Operations Act 2000*.

W.A. Pryor

LIQUOR AND GAMBLING COMMISSIONER

28 September 2006

GAMING MACHINES ACT 1992

FUNCTIONS

The Liquor and Gambling Commissioner is responsible for the administration of the *Gaming Machines Act 1992*. The Commissioner is responsible for regulating and monitoring the gaming industry to ensure the interests of patrons, the industry, the community and the Government are protected.

Section 5 of the Act provides that the Commissioner is responsible to the Independent Gambling Authority for the constant scrutiny of the operations under all licences under the Act.

The Act establishes a structure in which all industry participants are licensed or approved to carry out specific roles in relation to the gaming machine industry in South Australia.

The Commissioner is responsible for various functions including:

- ◆ determination of all applications for licences under the Act;
- ◆ approval of persons in a position of authority, gaming machine managers, and gaming machine employees;
- ◆ approval of agents of the State Supply Board;
- ◆ approval of gaming machines, games and the central monitoring system;
- ◆ approval of the number of machines per licensed premises and authorised hours of operation;
- ◆ collection of gaming tax;
- ◆ inspection, monitoring and scrutiny of gaming operations;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ disciplinary action against licensees including the power to reprimand, suspend or revoke a licence, vary or add to the conditions of the licence, cancel machine entitlements or to impose a fine not exceeding \$15 000;
- ◆ review of barring of persons by licensees.

In order to fulfil my statutory requirements under the Act, I am assisted by an integrated liquor and gambling inspectorate of 10 officers and 2 compliance officers and a Gambling Administration unit of 6 staff.

2005–2006 OBJECTIVES

My objectives for 2005–06 were to:

- ◆ encourage responsible attitudes towards the promotion and use of gambling products;
- ◆ minimise the harm associated with the use of gambling products; and
- ◆ ensure public confidence in the State’s gambling industries.

Specific objectives were to:

- ◆ develop a self-audit checklist to assist licensees in understanding and complying with the numerous requirements under liquor, gaming and wagering legislation; and
- ◆ implement a new compliance computer system to assist in reporting on compliance by licensees and to identify “high-risk” non-compliant areas and to target those areas.

MONITORING AND COMPLIANCE PROGRAM

In setting the inspection and compliance program, all licensed premises are categorised according to a risk-based system which forms the basis for determining the frequency that premises are inspected. I also have regard to the compliance record of each venue and inspectorial resources are applied accordingly. This risk based approach was developed with the assistance of the Auditor General.

Gaming machine premises have been categorised as high risk, with a scheduled inspection at least once every 12 months. Typically most gaming machine premises are inspected more than once a year.

New Compliance Reporting System

I received funding in the 2004–05 budget to develop a new computer system to assist in reporting on compliance by licensees.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

The new system now incorporates the application, inspection and compliance functions under all legislation (liquor, gaming, casino and wagering) and provides for the recording of greater detail of information and improved retention of historic data.

The new system will enable me to better allocate appropriate resources towards a “risk-based” approach where there will be a greater emphasis on high level of non-compliant items and I will be able to target venues who re-offend on compliance requirements.

The new system will go live on 1 July 2006.

Self-Assessment Compliance Audit Checklists

To assist licensees in understanding and complying with the numerous requirements under gaming legislation, a comprehensive self-assessment compliance audit checklist was developed.

The checklist was sent to licensees in July 2005.

Completion of the checklist is not mandatory and licensees are not required to provide my Office with a completed copy. They have been developed purely as a tool for licensee’s benefit.

It was recommended to the licensees that they conduct the audits every three months and that it be signed by a gaming machine manager, responsible person and the licensee or an operating director.

This initiative has been well received by the industry.

Gaming Care

The Australian Hotels Association South Australian Branch has established a Hotels Responsible Gambling Early Intervention Agency, aimed at reducing gambling-related harm by working with hotel management and staff on-site. The agency trades under the name ‘Gaming Care’.

Amongst other things, two of the objectives of Gaming Care are to:

- ◆ provide assistance to gaming licensees and managers in relation to compliance with regulatory Codes of Practice; and
- ◆ undertake audits of gaming venues on a voluntary basis to assist venues in complying with the regulatory Codes of Practice.

My Office constantly liaises with Gaming Care and provides advice on compliance related issues.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Inspections

All gaming machine venues are inspected regularly to assess whether the operations under the licence comply with the requirements of the *Gaming Machines Act 1992*, *Gaming Machines Regulations 1995*, licence conditions and codes of practice.

During 2005–06 a total of 619 inspections were conducted of the State’s gaming machine venues.

Inspections include:

- ◆ major inspections of every aspect of a premises as part of a routine inspection program;
- ◆ attendance at a premise by inspectors to oversee installation of gaming machines;
- ◆ inspections of premises in relation to applications made by licensees for variations to gaming area layouts, redefinition of gaming areas and structural alterations as part of renovations;
- ◆ targeted inspections of premises in response to specific issues or complaints;
- ◆ inspection by licensee disclosure.

Routine inspections

All licensed premises are inspected on a regular basis in accordance with a risk based inspection program.

A routine inspection involves inspectors checking a predetermined list of issues as well as conducting a general observation of the premises.

Every endeavour is made to inspect venues with a gaming machine licence at least once a year. However, since the new codes of practice were introduced on 30 April 2004, inspectors have experienced a significant increase in time spent per inspection. Primarily this is due to significantly more items now being inspected per visit and inspectors spending more time advising licensees and answering questions about the codes of practice and general queries.

There were 114 venues not inspected in 2005–06. However, the majority of these venues were last inspected in the later months of the 2004–05 year and are scheduled to be inspected in early months of 2006–07.

The time taken for an inspection resulted in a decrease from 814 inspections in 2004–05 to 619 in 2005–06.

Matters which form part of routine inspections include ensuring that:

- ◆ the licensee is complying with the Responsible Gambling Code of Practice, including that:
 - signs, posters, pamphlets, stickers and cards are displayed correctly;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- licensees have and maintain a responsible gambling document which describes the names and roles of staff in implementing the code and policies in relation to dealing with requests to self-exclude;
- staff have undertaken all training requirements;
- ◆ the layout of the gaming area conforms with the approved layout;
- ◆ cash facilities are located outside of the designated gaming area;
- ◆ signage including warning notices to minors is prominently displayed;
- ◆ approved persons are wearing appropriate identification;
- ◆ the area is adequately supervised;
- ◆ gaming machine log books have been properly completed;
- ◆ gaming machines are in acceptable operating condition;
- ◆ copies of barring notices issued by the Independent Gambling Authority are kept on the premises and made available to staff and appropriate procedures have been developed to ensure that excluded persons do not enter or remain in a gaming area.

Inspectors also pay particular regard to any specific conditions that are attached to each gaming machine licence.

Details of specific breaches are contained in Appendix 1.

Breaches Trends

Non-Compliance—Signage

The number of breaches relating to signage fell significantly from 660 in 2004–05 to 195 this year, a decrease of 70%. This decrease can be attributed to a number of factors:

- ◆ as this was the second full year of inspections since the new codes of practice were introduced on 30 April 2004, the industry has become more familiar with the signage requirements;
- ◆ the introduction of the Self-Assessment Audit Checklist that provides details and examples of signage requirements; and
- ◆ assistance given to venues by Gaming Care.

Overall, compliance with the signage requirements is good and non-compliance usually only relates to one or two items of the 11 in total.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Training

Although, training requirements remain one of the major items identified as being non-compliant, there has been a significant decrease in the total number of breaches from 198 in 2004–05 to 90 in 2005–06, a decrease of 55%.

As has been the case in the past, the majority of the incidents of non-compliance relate to the venue not having the relevant training certificates available for inspection rather than the staff member not having completed the training.

Gaming Machine Condition/Quality (Monitors & Buttons)

At 30 June 2006, half of all operational gaming machines were more than 5 years old. For many older machines, support is no longer provided by the manufacturer, which often results in spare parts being unavailable.

Uncertainty within the industry has resulted in a dramatic fall in the rate of replacement of old gaming machines. Many licensees have decided not to buy new machines despite the lack of manufacturer's support and unavailability of new games for their older machines.

Regardless of the age of gaming machines, licensees are required to ensure that they are maintained to an acceptable standard. OLGIC inspectors assess the condition of gaming machines as part of the routine inspection of gaming areas. While this will always be a subjective assessment, my inspectors apply a reasonable and consistent approach to ensure that machines offered to the public meet an acceptable standard.

In February 2006, I reviewed the standard procedures for cases where inspectors identify gaming machines in sub-standard condition. Changes to the procedures were made to ensure a consistent approach to all such cases.

Licensees are now notified of any gaming machine quality issues identified during an inspection and are required to provide, within 28 days, documentary evidence that the problems have been addressed or that the machine has been replaced or removed. This is usually provided in the form of a service report from the service agent or a completed sale or disposal order with the State Supply Board.

Licensees who fail to comply within 28 days will face disciplinary action.

Gaming Layout

Venues affected by the compulsory removal of gaming machines needed to have the gaming area redefined or layout varied. As the physical removal of the machines was scheduled to occur between 1 July 2005 and mid August, I gave an undertaking that the changes would not need to be lodged with my Office until after the second trading round. This gave licensees an opportunity to purchase lost entitlements.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

A number of licensees have overlooked this requirement, which has resulted in a significant increase in the number of unapproved gaming areas and gaming layouts detected during routine inspections. Disciplinary action was initiated in those cases.

Media Monitoring

The new advertising code of practice commenced on 30 April 2004. I engage a media monitoring service to provide my Office with copies of gambling advertisements placed in the Advertiser, Messenger newspapers and country press newspapers. Copies are provided twice a week and are examined by my officers for compliance with the various clauses of the code. For the 2005–06 year, 703 advertisements were examined.

I considered that one advertisement breached clause 3(2)(e) of the Advertising Code of Practice. The licensee responded and accepted it was in breach. Based on the submission made by the licensee, I did not proceed with disciplinary action.

Inspections by Complaint

There are many areas of compliance which cannot be detected by routine inspection as they relate to specific incidents. These areas are normally brought to my Office's attention by complaint and include incidents of:

- ◆ minors being allowed to enter a gaming area and play machines;
- ◆ barred patrons being allowed to enter a gaming area;
- ◆ persons playing more than one machine at a time;
- ◆ persons being supplied alcohol while sitting or standing at a gaming machine;
- ◆ approved gaming staff playing gaming machines;
- ◆ patrons being provided with credit to gamble.

A summary of complaints received during 2005–06 is included in Appendix 3 of this report.

Payout Disputes

There were 16 complaints received during 2005–06 in relation to payout disputes or alleged machine malfunctions.

The nature of these matters varies from simple requests for information and clarification of the *Gaming Machines Act 1992* through to more complex matters involving closer examination of both financial and technical information.

A range of strategies are employed, depending on the nature of the complaint, including:

- ◆ interviewing complainants or respondents;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ confirmation of a game’s history;
- ◆ confirmation of events leading up to the dispute;
- ◆ examination of financial and chronological data acquired from the central monitoring system;
- ◆ testing of technical aspects of a particular game or machine;
- ◆ any other actions deemed necessary.

Section 76 of the *Gaming Machines Act 1992* states:

“A player who is aggrieved by a decision to have his or her winnings withheld may apply to the Commissioner for a review of the decision”

All parties involved in a dispute are advised of this section if it appears that the matter cannot be resolved following the internal investigation.

During 2005–06 two applications for review were received under section 76 of the Act. Following an investigation into the incidents, the patron’s claim could not be supported.

Disciplinary Action

Section 36 of the *Gaming Machines Act 1992* allows the Commissioner to take disciplinary action against a licensee for the following reasons:

- ◆ the licence was improperly obtained;
- ◆ the licensee is not a fit and proper person to hold the licence;
- ◆ a person who occupies a position of authority in a trust or corporate entity that holds a licence is not fit and proper;
- ◆ the licensee has contravened or failed to comply with a provision of the Act or a condition of licence;
- ◆ the licensee has been convicted of an offence against the Act or an offence punishable by imprisonment;
- ◆ the licensee has ceased to operate gaming machines on the premises.

The most common reason for initiating disciplinary proceedings is the contravention of a provision of the Act or a condition of licence (including codes of practice).

Section 36 provides that I may:

- ◆ reprimand a licensee;
- ◆ add to or vary the conditions of licence;
- ◆ suspend the licence;
- ◆ revoke the licence;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ cancel 1 or more gaming machine entitlements;
- ◆ impose a fine not exceeding \$15 000.

I must give written notice to the licensee of the proposed disciplinary action and allow the licensee 21 days or longer to show cause why action should not be taken.

A summary of proposed notices of disciplinary action issued in 2005–06 is provided in Appendix 2.

Disciplinary action was taken in the form of reprimands in 23 cases (including 3 from disciplinary action initiated in 2005/06).

In 29 cases, the matter did not proceed further after consideration was given to written responses from the licensees.

Thirty two matters had not been determined as at 30 June 2006.

APPROVAL OF PERSONS

Licensees are required to seek my approval for individual persons who occupy various positions or who have associations with licences.

Persons can be approved in respect of more than one premise and approvals at gaming machine venues can be under more than one category. Categories include gaming machine managers, gaming machine employees, committee members of licensed clubs, directors and shareholders of licensee companies, agents of the State Supply Board, subcontractors and employees of the agent to the holder of the gaming machine service licence, employees and sub-contractors to the holder of the gaming machine monitor licence and in the case of a body corporate that holds a licence, any other person in a position to exercise or exert control or substantial influence over the body corporate in the conduct of its affairs.

As at 30 June 2006, a total of 7 982 persons were approved under the *Gaming Machines Act 1992*.

Applications for Approval

In approving a person in any of the above categories, I must be satisfied that the person is fit and proper. Factors such as creditworthiness (including bankruptcy) and probity are taken into account. In determining whether a person is fit and proper, I must have regard to the honesty and integrity of the person's known associates, including relatives. A copy of every application is provided to the Commissioner of Police who may intervene in any proceedings before me on the question of whether a person is fit and proper.

During 2005–06 a total of 3 698 persons were approved under the various categories of the *Gaming Machines Act 1992*.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

The *Statutes Amendment (Liquor, Gambling and Security Industries) Act 2005* amended section 19 of the *Gaming Machines Act 1992* to include a person's reputation, honesty and integrity and the reputation of the person's known associates when determining whether a person is a fit a proper person to hold a licence or occupy a position of authority in a trust or corporate entity that holds a licence.

The Amendment Act also amended the *Gaming Machines Act 1992* to allow the use of criminal intelligence in licensing decisions, and to provide that where such intelligence is used in any proceedings, which includes applications under the Act, that intelligence must not be disclosed to any person if the Commissioner of Police makes application for confidentiality. This extends to licensees, gaming machine managers and employees and other persons seeking to be approved under the *Gaming Machines Act 1992*, including crowd controllers who intend to work in licensed premises or at licensed events.

If an application for approval is refused or an approval is proposed to be revoked or is revoked and the decision to do so is based on criminal intelligence, no grounds or reasons for the decision, other than to grant the application would be contrary to public interest or that it would be contrary to the public interest if the approval were to continue in force, is required.

Applications Refused

During 2005–06 two applications for approval under the *Gaming Machines Act 1992* were refused.

One application was refused on the basis that the person for whom the applicant was seeking approval had appeared in Court charged with using amphetamines and was subsequently fined \$500 without conviction. The applicant was given the opportunity to answer questions in relation to circumstances surrounding the Court appearance. Based on the information provided I was satisfied that the person was not fit and proper.

The other application was refused on the basis that the person for whom the applicant was seeking approval did not declare a number of serious convictions.

Approvals Revoked

Under section 44, I may revoke an approval of a person made under Part 4 of the Act, on such grounds or for such reasons as I think fit.

During 2005–06, I conducted a hearing in relation to the revocation of approval for one gaming machine employee. The person had signed a false statutory declaration of criminal history in her application to be approved as a gaming machine employee. The person was found guilty in the Magistrates Court and given a 4 month suspended sentence. I revoked the person's approval as a gaming machine employee.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

TECHNICAL MATTERS

Testing and Evaluation of gaming machines

Schedule 1(a) under the *Gaming Machines Act 1992* provides that only approved gaming machines, games and prescribed components may operate in South Australia. Section 40 of the Act then gives me the power to approve machines, games and equipment.

Testing and evaluation of gaming machines has been conducted primarily by GLI (Australia). However, testing has also been undertaken by BMM International and Technical Systems Testing Pty Ltd. In addition to the certification received from an accredited test laboratory that a gaming machine or game meets the South Australian Gaming Machine Technical Standards, the Independent Gaming Corporation provides a certificate attesting to the fact that the machine or game conforms to the monitoring system's communications protocol.

As at 30 June 2006, 33 machines and 386 games are currently approved. A number of game approvals include more than one variation of the basic game, such as the return to player percentage, maximum bet and optional game features.

For the period 1 July 2005 to 30 June 2006:

Orders approving a new game	36
Orders approving a new version of a game	13
Orders revoking the approval of a game	84
Orders approving a new gaming machine	1
Orders approving a modification to a gaming machine	43
Orders revoking the approval of a gaming machine	0

The Office of the Liquor and Gambling Commissioner is currently the convenor of a national working party for the assessment of testing laboratories. The working party reports to all participating regulators with recommendations of suitably qualified and experienced organisations for consideration as an Accredited Testing Facility (ATF).

The aim is to provide a cooperative and coordinated approach to the assessment of testing facilities by the various gaming regulators of Australia and New Zealand. While accreditations will be issued by individual jurisdictions, the assessment process is conducted most efficiently by this cooperative arrangement.

The first report of the Assessment Panel was issued to participating organisations in November 2000.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

South Australia issued accreditations to three organisations—GLI (Australia), BMM International (BMM) and Technical Systems Testing (TST).

During 2005–06, the Panel continued its third review of the operations of the current ATFs—GLI, BMM and TST.

A general call for expressions of interest from suitable organisations to be assessed by the Panel was advertised in August 2005. While a number of organisations made enquiries, only Melbourne-based Enex Pty Ltd made a submission to the Panel, seeking assessment against the Accreditation Guidelines.

The Panel has been assessing the suitability of Enex since November 2005. A report to participating Australasian regulators is expected toward the end of 2006.

National standard for gaming machines

South Australia continues to chair the Working Party on Gaming Machine National Standards.

Work has continued with other Australasian gaming jurisdictions to develop the uniform technical standard for gaming machines throughout Australia and New Zealand. The process of developing the National Standard has minimised the different requirements of each gaming jurisdiction.

In developing the National Standard, the Working Party has consulted with gaming machine manufacturers, testing laboratories and other industry participants. The official mechanism for the amendment and development of the National Standard is the Manufacturers' Forum which is held in Sydney following the Australasian Gaming Expo.

Following the 2004 Forum, manufacturers asked that amendments to the Standard be made every two years instead of annually. Gaming regulators agreed and, as a result, there was no Forum in 2005.

The Working Party has met several times throughout 2005–06. Much work has been done during recent months in preparation for the 2006 Manufacturers' Forum which will be chaired by the Liquor and Gambling Commissioner for South Australia.

Along with most other Australian and New Zealand regulators, the South Australian technical standards for gaming machines are based on the latest revision of the National Standard Rev 8.0, which became effective on 1 June 2005. As of 1 June 2005, all submissions of new gaming machines and games have been evaluated against the National Standards for Gaming Machines Rev 8.0 plus the South Australian Appendix Rev 5.0.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Approval of games

Section 40(3) of the Act requires that I must refuse any application for approval of a game if, in my opinion, the game is likely to lead to an exacerbation of problem gambling.

In considering such applications, I must also have regard to any guidelines issued by the Independent Gambling Authority. The Authority issued guidelines for the purposes of section 40(2) of the Act on 2 June 2003 effective 1 July 2003. The guidelines set out a number of game characteristics which I must consider likely to lead to an exacerbation of problem gambling unless there is evidence to the contrary. In addition, the guidelines require that an application for approval of a game providing new features or characteristics should be accompanied by a responsible gambling impact analysis.

IGA Game Approval Guidelines—Non-linear games

In July 2005, I wrote to the Authority recommending that clause 2.(2)(a) of the Guidelines be clarified to describe a characteristic which promotes and/or provides relatively higher returns for larger bets. I also recommended that a tolerance of 0.20% be allowed, in line with recent changes to the National Standard.

Clauses 1 and 2(2)(a) of the guidelines provide that:

- “ (1) If a proposed game has one or more of the characteristics listed in sub-clause (2), approval of the game will be likely to lead to an exacerbation of problem gambling unless there is evidence to the contrary.
- (2) The characteristics referred to in sub-clause (1) are -
 - (a) [non-linear] that the statistical return to player for the game changes depending on the amount bet;”

In February 2006, the Authority replied, agreeing with the proposed clarification.

However in the meantime, the Authority announced that it would review the Game Approval Guidelines, and therefore I decided to amend the clarification to only introduce a tolerance of 0.20%.

This clarification was applied to the guidelines issued under both the Casino and Gaming Machines Acts.

All active manufacturers, testers and Skycity Adelaide were advised of this in writing in February 2006.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

SUMMARY

Major Events in 2005–06

Disabling and Removal of Excess Machines

The *Gaming Machines (Miscellaneous) Amendment Act 2004* provided for a compulsory reduction in gaming machine numbers effective 1 July 2005.

Under section 16(5) of the Act, I granted licensees affected by the compulsory reduction a temporary authorisation to possess (but not to operate) excess machines to enable the orderly disposal of the gaming machines which the licensees were no longer authorised to operate. This authorisation expired on 5 August 2005.

Prior to the reduction, detailed arrangements were made with the Independent Gaming Corporation Limited (IGC) to disable surplus machines on 1 July 2005 and a plan for the physical removal of excess gaming machines post 1 July 2005 was developed with both IGC and the gaming machine service agent, Bytecraft Systems Pty Ltd.

Licensees with excess gaming machines were asked to nominate those machines which were to be initially disabled on 1 July 2005 and then subsequently removed. A number of licensees had elected to remove excess machines in the months prior to 1 July 2005. Approximately 750 had already been removed by 30 June 2005.

As IGC's central monitoring system was not capable of disabling the surplus machines simultaneously at midnight on 30 June 2005, I directed licensees to ensure that excess machines were clearly identified with a sign stating "this gaming machine not to be operated" and for them to remain powered on and connected to the monitoring system. Liquor and gaming inspectors conducted random inspections at a number of venues on the night of 30 June/1 July 2005 to ensure compliance with these instructions. No breaches were identified.

On 1 July 2005, IGC advised that all affected machines were disabled.

Service agents began the process of removing excess machines from venues from 4 July 2005. The order in which venues were attended was developed by the service agents and approved by me. Generally, venues which applied to purchase entitlements in the May trade were scheduled after venues which did not apply.

All machines were removed prior to the temporary authorisation to possess excess machines which expired on 5 August 2005.

Retention of gaming machines (Regulation 12)

Regulation 12 of the *Gaming Machines Regulations 2005* allows licensees who lost machines as a result of the compulsory reduction in gaming machine numbers, to store the excess machines at an approved location with an approved custodian, for a period not exceeding 2 years or 2 months after the third trading day (whichever is the longer).

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

The regulation provides for the Minister to exempt licensees and custodians from the provisions of the Act that would ordinarily prevent them from retaining gaming machines in this manner.

The hotel industry sought this exemption to allow affected licensees to postpone having to sell or dispose of a gaming machine while they endeavour to reacquire over a number of trading rounds, the entitlements lost for those machines.

An exemption pursuant to regulation 12 was granted by the Minister on 10 June 2005.

The exemption requires that the terms of the arrangement between the licensee and the custodian be approved by the Commissioner and that the machine being stored can only be returned to the venue from which it was originally removed and only if the licensee obtains an entitlement to operate the machine or is replacing a machine which is to be sold or destroyed. Neither a licensee nor the custodian can remove parts from a stored machine.

Two custodians were approved on 10 June 2005. They were: Bytecraft Systems Pty Ltd (the current approved service agent for the State Supply Board) and SA Power Gaming (currently the holder of a gaming machine dealer's licence).

A total of 141 gaming machines from 39 venues were placed in storage. As at 30 June 2006 86 machines from 23 venues remained in storage.

Trading Round

The second trade in gaming machine entitlements was held on 21 September 2005. The closing date for applications for the second round was 14 September 2005.

The result of the trade was:

Sellers

10 venues applied to sell a total of 75 entitlements. This comprised 3 profit venues selling 26 entitlements and 7 non-profit associations selling 49 entitlements

Buyers

149 venues lodged applications to buy a total of 976 entitlements

Allocations

Of the 75 entitlements offered for sale, one-quarter (19 entitlements) were withheld from the pool which left 56 for distribution to purchasers (See part on Withheld Entitlements below).

The regulations provide for 4 priority groups for the second trade round.

- ◆ First priority was given to any applicant who participated in the first trade round and who was unsuccessful in receiving an entitlement in the ballot. These applicants were given the first priority for one entitlement each.

There were 72 applicants in this category with priority for 72 entitlements.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ Second priority was given to venues which lost more than 20% of gaming machine numbers as a result of the legislated compulsory gaming machine reduction formula. Priority stopped once that venue received enough entitlements to bring the loss back to 20% or less.

There were 3 applicants in this category with priority for 6 entitlements.

- ◆ Third priority was given to any venue required to reduce numbers under the new legislation (including remaining entitlements sought from those applicants in the first or second priority groups).

There were 144 venues in this category seeking 898 entitlements.

- ◆ Fourth priority was given to any other venue, including new gaming machine venues and venues that are non-profit associations.

There were no applicants for this category.

As there were only 56 entitlements available for sale and there were 72 applicants in the first priority group, a ballot was conducted to allocate the 56 entitlements. 16 applicants were unsuccessful in the ballot and did not receive any entitlements.

No applicants in the second and third priority were considered.

Payment

Successful applicants were required to make payment of \$55 000 (inc GST) for each entitlement allocated to them in the trade, by 5 October 2005.

All applicants paid by the due date. A total of \$3 080 000 (\$55 000 x 56) was received from all purchasers.

The proceeds were distributed to the 10 sellers in the amount of \$41 066.67 (incl. \$3 733.33 GST) per entitlement offered for sale.

Vesting of Entitlements

21 October 2005 was set as the date the traded entitlements vested with the purchasers and therefore purchasers were entitled to possess a machine on or after 21 October 2005. Under regulation 15, gaming machines must be installed within 6 months otherwise the entitlement will lapse. All successful purchasers installed gaming machines within the designated time frame.

All sellers were required to ensure that machines were removed from the premises by no later than 21 October 2005 which they did.

Withheld Entitlements

The regulations provide for one-quarter of entitlements offered for sale to be withheld from the pool. Nineteen (19) entitlements were withheld from the sale pool.

Seven (7) of these entitlements were cancelled. This brings the number of machines removed from the State to 2202 (2168 removed as a result of the compulsory reduction plus 27 cancelled after trade one and 7 cancelled after trade 2).

Appendix B: Report of the Liquor and Gambling
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Twelve (12) entitlements were transferred to Club One the holder of the special club licence.

Gaming Machine Service Licence

Section 14(2) of the Act has been amended by removing the requirement that there be only one gaming machine service licence and section 26 has been amended by removing the requirement that the gaming machine service licence be granted to the State Procurement Board. The Act now provides for the grant of gaming machine service licences to any suitable applicant.

The sections of the Act relating to service licences were proclaimed on 22 June 2006 and will come into operation on 1 July 2006.

During May and June, preparations were made for the new service licence arrangements.

A number of bulletins were issued to licensees advising them of the legislative and regulatory changes and of their obligations in relation to the changes.

On 30 May 2006, I issued a Bulletin to all licensees advising that:

- ◆ Existing service contracts with Bytecraft Systems Pty Ltd, as an approved agent of the State Supply Board, would expire on 1 July 2006.
- ◆ From 1 July, every licensee must have a new service contract with the holder of a service licence.
- ◆ Bytecraft, a likely applicant for a service licence, was developing new contracts and I expected that licensees would be contacted shortly with details of the service contracts available.
- ◆ If there were to be new entrants to the gaming machine service industry in South Australia, I expected that they would also contact licensees.

I also advised licensees that I intend to amend condition (r) of Attachment B conditions in line with the amendments to the Act. The current condition (r) requires that the licensee have a functional contract with the State Supply Board. From 1 July 2006, the condition will be amended such that the licensee must have a functional contract for the servicing of gaming machines with a holder of a service licence. If licensees do not have such a contract in place, it will be a breach of a licence condition and I may take appropriate disciplinary action.

During June, applications for service licences were received from Bytecraft and a number of its regional sub-contractors. I met with Bytecraft and, separately, with representatives of the sub-contractors to discuss the criteria which would be applied in considering the grant of a licence.

A principle consideration will be the applicant's ability to offer its services to all gaming operators. I indicated that an applicant would need to satisfy me that it could service all venues, either directly or by way of agreements with affiliated service

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

licensees. This will ensure that services are available, particularly to remote venues, and that service licensees will not be able to limit services to only those venues which might be the most commercially rewarding.

Other criteria includes:

- ◆ that the applicant is fit and proper to hold a licence;
- ◆ that the applicant has the necessary technical and business expertise;
- ◆ that the applicant has the capacity to hold sufficient quantities of spare parts and equipment;
- ◆ the hours of business and response times;
- ◆ the relevant skills and experience of gaming technicians;
- ◆ the terms and conditions provided in venue service contracts.

The outcomes of the applications for service licences by Bytecraft and its sub-contractors and the conditions imposed on any licences granted will be provided in my 2006–07 report.

Special Club Licence—Club One

Background

The *Gaming Machines (Miscellaneous) Amendment Act 2004* provides for a single special purpose non-profit entity referred to as ‘Club One’ to be granted the special club licence if it satisfies the Commissioner that it is representative of a substantial number of clubs in the State and that it has available to it, the appropriate skills and expertise to operate gaming machines and conduct a gaming machine business.

The special club licence authorises the licensee to possess approved gaming machines and to operate them on premises in respect of which someone else holds a gaming machine licence as agent of the holder of the gaming machine licence.

Club One may:

- ◆ offer services to club venues (e.g. management expertise, consulting services);
- ◆ place gaming machine entitlements in existing clubs and hotel venues;
- ◆ establish and operate gaming machine venues in its own right (subject to the same approval process that applies to any other new gaming machine licence).

Club One can obtain entitlements in three ways. Under the trade system, 25% of all entitlements offered for sale by non-profit associations will be transferred to Club One or alternatively, Club One can purchase entitlements in the trade or non-profit associations can also transfer entitlements to Club One under an arrangement approved by the Commissioner.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Granting of Special Club Licence

The special club licence was granted to Club One (SA) Limited on 14 October 2005.

Club One is a company limited by guarantee.

Section 24A(1) of the Act provides that:

“ The special club licence is to be granted to a body (referred to in this Act as Club One) that, on making due application for the licence, satisfies the Commissioner -

- (a) that it is representative of a substantial number of clubs in the State; and*
- (b) that it has available to it the appropriate skills and expertise to operate gaming machines, and conduct gaming machine business.”*

The members of the company (as provided for under the company constitution) are Licensed Clubs Association of SA (Clubs SA), South Australian National Football League (SANFL) and Sports SA, which combined satisfied the requirement that it represents a substantial number of clubs in South Australia. The profits of Club One are to be distributed to sporting clubs and associations through a grants program.

Clubs SA and the SANFL represent approximately 95% of clubs holding gaming machine licences in South Australia. Club One (SA) Limited has access to the skills and expertise of both organisations together with the knowledge skills and expertise of the Club One board members. Club One will also have the capacity to engage consultants or advisors on any aspect of the operation of gaming machines and the conduct of gaming machine business. While any such contract or arrangement requires my approval I did not consider this to be an impediment for the purpose of section 24A(1)(b) of the Act and accordingly I was satisfied that Club One had available to it, the appropriate skills and expertise to operate gaming machines and conduct gaming machine business.

Licence Conditions

The licence is subject to any condition imposed by the *Gaming Machines Act 1992* and its Regulations.

Under section 24A(4)(c) of the Act, I imposed the following further conditions:

1. the licensee must seek the prior written approval of the Commissioner for any changes to the constitution of Club One (SA) Limited;
2. the licensee will submit for the Commissioner’s approval any finance contract, agreement or arrangement relating to the operation of Club One (SA) Limited;
3. the licensee must seek the prior written approval of the Commissioner before entering into an agreement under which Club One (SA) Limited possesses approved gaming machines and operates them on premises in respect of which

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

someone else holds a gaming machine licence as agent of the holder of the gaming machine licence;

4. the licensee must seek the prior written approval of the Commissioner before engaging any person as an employee, or any person party to an agreement which is required to be approved by the Commissioner. Note: In determining whether a person is fit and proper for this purpose, the Commissioner will treat the application as if it was an application made under Part 4 of the Gaming Machines Act;
5. the licensee must seek the prior written approval of the Commissioner for any contract or arrangement entered into between Club One (SA) Limited and any other party for the provision of technical and management services or any profit sharing arrangement or agreement.

Club One Agreements

Section 24A(4) of the Act and the conditions on the special club licence require that certain agreements be submitted for my approval. In 2005–06 I approved the following agreements:

1. Short Term Funding Arrangements:

Agreements lodged in conjunction with the licence application for short term funding of \$345 000 to support Club One’s establishment and start up requirements provided by: the Salisbury North Football Club/Bank SA, Clubs SA (repayable loan), Best Masonry Bricks and Pavers and Club Management Services Pty Ltd.
2. A further loan agreement with Best Masonry Bricks and Pavers which increased its initial loan approved in conjunction with the licence application.
3. An agreement with Adelaide Juventus Sports & Social Club (“ASC”) under which Club One is to allocate a total of 40 entitlements to ASC subject to it obtaining a gaming machine licence.
4. Short-term agreements between Club One and eight hotels for the allocation of 27 entitlements held by Club One on a short-term basis. Refer below for details.

Allocation of Gaming Machine Entitlements

Club One applied for approval under section 27C of the *Gaming Machines Act 1992*, to allocate 27 gaming machine entitlements held by it to 8 hotels. The number of entitlements varied from 1 to 6.

The purpose of Club One allocating gaming machine entitlements to the host hotels on a short term basis pending permanent allocation either to Adelaide Juventus Sports and Social Club Inc or to some other venue was to generate revenue from an otherwise unused asset. I directed that the application be notified to Clubs SA and the

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Australian Hotels Association (AHA) and gave the parties an opportunity to make a submission. The AHA elected to be heard on the application and the matter was heard on 24 May 2006.

I advised in my decision that I was concerned about the proposal. I am of the opinion that the concept of Club One is based on returns to the club industry to redress the imbalance between hotels and clubs, but I accepted the short term allocations would generate income to Club One.

I was also concerned about the openness and transparency of the process of selecting the host venues. I was concerned that members of a particular company had been given priority over South Australian clubs and other hotels without a tender or expression of interest process.

In my opinion, the entitlements should have been offered to the club industry and failing any commercially viable expression of interest to host the entitlements, through open tender to the industry.

On the evidence given at the hearing I accepted that the South Australian club industry and individual clubs did not express an interest to host entitlements. However, I suspected that there may have been other hotel gaming licensees who would have.

Normally I would have refused the application but I was not prepared to stop a much needed income stream to Club One.

I approved the agreements but only until 31 October 2006. If Club One seeks to extend them it must satisfy my concerns about openness and accountability.

Overall Non -Compliance

The total number of breaches shown in Appendix 1, decreased by over 60% from 2004–05.

I believe this decline is due to the efforts of inspectors, the introduction of the self-audit assessment checklist, the AHA's Gaming Care initiative, regular bulletins, information distributed through the Licensee Update newsletter and advice given by staff of my Office.

I expect this trend to continue for the 2006–07 year.

OUTLOOK 2006–07

OBJECTIVES

In 2006–07, I plan to:

- ◆ refine my monitoring and compliance program by allocating appropriate resources towards a “risk-based” approach where there will be a greater emphasis on high

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

level of non-compliant items to target venues who re-offend on compliance requirements;

- ◆ conduct one or more trading rounds of gaming machine entitlements in accordance with the requirements of the *Gaming Machines Act 1992* and *Gaming Machines Regulations 2006*.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 1

Specific breaches detected during routine inspections during 2005–06

Responsible Gambling Code of Practice

	2005–06		2004–05	
	No of Inspections 619		No of Inspections 814	
	No. of non-compliant items	% of non-compliant items	No. of non-compliant items	% of non-compliant items
Clock clearly visible in gaming area	9	1.5%	27	3.3%
Code of Practice Available	12	1.9%	0	0.0%
Gambling Helpline Cards displayed	20	3.2%	104	12.8%
Gambling Helpline Sticker (Affixed to ATMs and EFTPOS and/of gaming machines)	33	5.3%	84	10.3%
Governed by a Code of Practice Sign displayed	14	2.3%	71	8.7%
Playing of more than one machine sign displayed	8	1.3%	38	4.7%
Responsible Gambling Document maintained	76	12.3%	326	40.0%
Responsible Gambling Pamphlets displayed	19	3.1%	64	7.9%
Responsible Gambling Poster displayed	15	2.4%	62	7.6%
Training Completed—Responsible Gambling	90	14.5%	198	24.3%
TOTAL Venues	296		974	

Licence Conditions—Imposed by Act

	2005–06		2004–05	
	No of Inspections 619		No of Inspections 814	
	No. of non-compliant items	% of non-compliant items	No. of non-compliant items	% of non-compliant items
Gaming layout approved	27	4.4%	2	0.25%
TOTAL Venues	27		2	

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Licence Conditions—Imposed by Commissioner

	2005–06		2004–05	
	No of Inspections 619		No of Inspections 814	
	No. of non-compliant items	% of non-compliant items	No. of non-compliant items	% of non-compliant items
Barring orders issued under section 59 have been provided to LGC	9	1.5%	0	0.0%
Gaming area security adequate	1	0.2%	0	0.0%
Gaming Machine Manager on Duty	2	0.3%	3	0.4%
Log books present and completed (10%)	5	0.8%	23	2.8%
Playing of more than one machine sticker (Affixed to gaming machines)	21	3.4%	62	7.6%
Rules Ancillary to Gaming Sign displayed	12	1.9%	35	4.2%
Training completed—Operation of Machines	90	14.5%	198	24.3%
TOTAL Venues	140		321	

Gaming Machines Act

	2005–06		2004–05	
	No of Inspections 619		No of Inspections 814	
	No. of non-compliant items	% of non-compliant items	No. of non-compliant items	% of non-compliant items
All approved staff clearly displaying ID badges	1	0.2%	12	1.5%
All staff approved	2	0.3%	0	0.0%
Cash facilities not within gaming area	1	0.2%	0	0.0%
Gaming Licence displayed (at principal entrance)	30	4.8%	23	2.8%
Government ID plates on all machines	2	0.3%	2	0.2%
Logic Board Sealed (10%)	9	1.5%	15	1.8%
Machine Condition (monitors, buttons)	107	17.3%	171	21.0%
Security box locked	4	0.6%	1	0.1%
Warning to Minors Sign displayed (at each entrance)	17	2.7%	54	6.6%
Warning to Minors Sticker (Affixed to gaming machines)	6	0.9%	63	7.7%
TOTAL Venues	179		179	

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Regulations

There were no breaches against the Regulations.

IGA Directions

	<i>2005–06</i>		<i>2004–05</i>	
	No of Inspections 619		No of Inspections 814	
	No. of non-compliant items	% of non-compliant items	No. of non-compliant items	% of non-compliant items
All barring notices being maintained in a folder or picture wall	5	0.8%	2	0.2%
Barring procedure maintained (may be part of Responsible Gambling Document)	5	0.8%	0	0.0%
TOTAL Venues	10		2	

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 2

Summary of disciplinary notices issued during 2005–06

Reason for proposed disciplinary notice	Legislative Reference	No. of notices
Multiple breaches detected during inspection	Various	40
Gaming staff not completed training	Contravention of licence conditions (nb) & (w)	6
Responsible Gambling Document not maintained	Contravention of Clause 2(b) RGCOP	18
Licensee ceased to operate gaming machines on premises subject to gaming machine licence	Contravention of section 36(g) GMA	3
Service Agent agreement not maintained	Contravention of licence condition (r)	2
Gaming room was only room of venue available to patrons at a certain time	Contravention of condition (y) Attachment B	1
Advertisement did not comply with Advertising and/or Responsible Gambling Code of Practice	Contravention ACOP and/or RCCOP	1
Prevent the entry of intoxicated people in gaming areas or remaining there	Contravention of Clause 6(1) RGCOP	1
Supply of unapproved software	Contravention of section 4 of Gaming Machine Regulations	1
Other*		2
TOTAL		75

GMA—*Gaming Machines Act 1992*

ACOP—Advertising Code of Practice

RGCOP—Responsible Gambling Code of Practice

* Refers to proposed disciplinary notices issued to the same licensee on two occasions for defaulting on gaming tax a number of times. The first notice also included outstanding debts to Bytecraft Systems Pty Ltd and the Independent Gambling Corporation terminating the Monitoring Services Agreement due to non-payment of monitoring fees thus calling into question the creditworthiness of the licensee.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 3

Summary of type of and outcome of complaints investigated during 2005–06

Type of complaint	No. of incidents	Outcome				
		No fault	Cautioned	Insufficient Evidence	Referred to SAPOL	TOTAL
Sec 51(1) GMA—Approved gaming manager or aemployee playing gaming machines on premises	1			1		1
Sec 59(1) GMA—Barred person enters or remains in a gaming area≠	2				2	2
Sec 59(4) GMA—Barred person allowed to enter gaming area≠	1		1			1
Condition (y) Attachment B—a patron must be able to purchase and consume a beverage in an area that is not the designated gaming area	2		2			2
Clause 4(3) RGCOP—Person allowed to play two machines at a time	2			2		2
Clause 6(1)(a)(b) RGCOP—Gambling provider will take all practicable steps—to prevent a person who appears to be intoxicated from being allowed to gamble and to prevent the entry of intoxicated people into gambling areas, or them remaining there	2		1	1		2
Clause 6(1)(c) RGCOP—alcohol supplied to encourage continued gambling	2	2				2
Clause 8(2) RGCOP—Provide a cheque in respect of winnings of \$1 000 or more within 24 hours	2	2				2
Clause 2(a) & (b) ACOP—Advertising is not directed at minors and does not portray minors participating in gambling activities	1	1				1
Clause 3(2)(f) ACOP—Advertising does not state of imply that gambling is a means to pay for household staples, education or rent, or to meet mortgage commitments	1	1				1
TOTALS	16	6	4	4	2	16

≠ complaints relate to a number of venues

ACOP—Advertising Code of Practice

GMA—Gaming Machines Act

RGCOP—Responsible Gambling Code of Practice

SAPOL—South Australian Police

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

CASINO ACT 1997

FUNCTIONS

Section 5 of the *Casino Act 1997* allows the grant of a casino licence. This licence is currently held by the New Zealand company Skycity Entertainment Group Limited trading as Skycity Adelaide.

Scrutiny of the operation of the Skycity Adelaide casino is primarily performed by an Inspectorate of 11 staff.

The Inspectorate is located at the casino and an Inspector is on duty at all times the casino is open to the public.

Principal Activities of The Casino Inspectorate

The Commissioner is responsible for various activities performed by the Inspectorate including:

- ◆ ensuring that the casino operator complies with the provisions of the *Casino Act 1997*;
- ◆ ensuring that the casino operator complies with the terms of the Approved Licensing Agreement;
- ◆ ensuring that the casino operator complies with the Casino Duty Agreement;
- ◆ ensuring that the casino operator complies with the Casino Advertising and Responsible Gambling Codes of Practice;
- ◆ evaluation and approval of procedures;
- ◆ scrutiny of gambling operations;
- ◆ investigation of complaints; and
- ◆ administration of barring procedures.

2005–2006 OBJECTIVES

My objectives for 2005–06 were to:

- ◆ encourage responsible attitudes towards the promotion and use of casino gambling products;
- ◆ minimise the harm associated with the use of casino gambling products;
- ◆ ensure public confidence in the Skycity Adelaide casino;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ develop and implement a more effective procedure relating to minors attempting to enter and being detected, on casino premises
- ◆ develop and implement a shift in focus from direct involvement, observation and scrutiny toward targeted ‘risk-based’ audit and report systems.

MONITORING AND COMPLIANCE PROGRAM

New Compliance Reporting System

Funding was provided in the 2004–05 budget to develop a new computer system to assist in reporting on compliance by the operator.

The new system provides for the recording of greater detail of information and improved retention of historic data.

The new system will enable me to allocate appropriate resources towards a “risk-based” approach where there will be a greater emphasis on high level of non-compliant items.

The new system will go live on 1 July 2006.

Evaluation and Approval of Procedures 2005–06

Amendments to the accounting and internal control, policies and procedures

Under section 38(1)(a) of the *Casino Act 1997*, I approved 3 amendments to the Cash Handling procedures and 1 amendment to the Pit Operations procedures of the Accounting and Internal Control, Policies and Procedures Manual.

Amendments to the security procedures manual

Under section 38(1)(b) of *Casino Act 1997*, I approved 20 minor amendments to the Security Procedures Manual.

Amendments to the surveillance operations manual

No amendments were made to the Surveillance Operations Manual.

Scrutiny of Gambling Operations

Scrutiny of gambling operations occupies a significant proportion of the Inspectorate’s resources because of the large number of areas covered.

To ensure the integrity of gaming operations at the casino, the Inspectorate is involved in—

- ◆ approval of staff and commission play personnel;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ approval of gaming machine service agents;
- ◆ approval of game rules;
- ◆ approval of training standards;
- ◆ approval of installation of gaming, surveillance and security equipment;
- ◆ approval of software;
- ◆ control of gaming equipment;
- ◆ control of floor plan; and
- ◆ daily observation of procedures on the floor and via CCTV covering compliance with gaming, (rules procedures etc), financial (Main Bank, Coin Booths etc), security, surveillance, Valet, Food and Beverage (responsible serving of alcohol etc) and Codes of Practice

Specific details of targeted inspections conducted during 2005–06 are contained in Appendix 1.

Codes of Practice 2005–06

The Adelaide Casino Responsible Gambling Code of Practice and Advertising Code of Practice came into force on 30 April 2004. Inspectors conduct regular inspections to determine the level of the casino’s compliance with the code. These inspections include—

- ◆ ensuring signs, posters, pamphlets, stickers and cards are displayed correctly
- ◆ checking casino newsletters and website for compliance
- ◆ ensuring that the licensee has and maintains a responsible gambling document which describes the names and roles of staff in implementing the code and policies in relation to dealing with requests to self-exclude
- ◆ ensuring that staff have undertaken all training requirements

Substantial effort has been directed at ensuring compliance with the requirements of these codes.

The following infringements were noted:

- ◆ While reviewing a security related incident it was noted that an intoxicated patron had been gambling. A subsequent review of the incident resulted in strengthening and clarification of procedures.
- ◆ There were 7 incidents of patrons playing multiple gaming machines detected. Once advised, Skycity Adelaide staff attended and advised the patrons about the requirements of Code of Practice.
- ◆ One person was removed from premises for not complying with a request to cease playing multiple gaming machines

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ Helpline card containers empty
- ◆ Brochures and Helpline cards not clearly visible (often placed between machines by patrons)
- ◆ Helpline stickers had become unreadable or were peeling off

These issues were all satisfactorily resolved by Skycity Adelaide.

Complaints

There were 24 complaints lodged against Skycity Adelaide. Of these, 23 were gaming or gaming machine related and 1 related to a cashier transaction. Gaming machines, Poker and American Roulette attracted the majority of the complaints:

- ◆ three complaints relating to patron perceptions that gaming machines were not operating to specification;
- ◆ four complaints about the application of the rules of Poker; and
- ◆ seven complaints about disputed ownership of bets placed on American Roulette.

Although each of these complaints was dismissed in favour of the casino the complaints relating to Poker did highlight a number of concerns about the ability of poker dealers to follow correct dealing procedure and to maintain adequate control of the game being dealt. Skycity Adelaide has been requested to review the operations of the Poker Zone and to provide a written response. A response had not been received at the time of writing this report.

Barred Patrons

I reviewed 132 barring notices issued by Skycity Adelaide under section 44 of the *Casino Act 1997*. When reviewing barring orders I consider the reasons leading to the barring to ascertain whether they might indicate an underlying problem gambling issue. Of the 132 reviewed, I revoked 7 barrings, extended the barring period for 98 persons under section 45 of Act and upheld the barring period for 3 people. As at 30 June 2006, 24 were still to be determined.

As at 30 June 2006 there were 68 persons barred from Skycity Adelaide under section 45 of the *Casino Act 1997* on the grounds that the person was placing his or her own welfare or the welfare of dependents at risk through gambling. This is an increase of 14 on the previous year.

I believe this is attributable to Skycity Adelaide's Host Responsibility Coordinators program which assists in the identification of persons with gambling related issues.

I thank Skycity Adelaide for its diligence in this area.

The total number of persons barred from entering Skycity Adelaide as at 30 June 2006 is 917, comprising:

- ◆ 431 persons voluntarily self-barred under section 44 of the *Casino Act 1997*;

Appendix B: Report of the Liquor and Gambling
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- ◆ 338 persons barred under section 45 of the *Casino Act 1997*;
- ◆ 148 persons self-barred pursuant to section 15B of the *Independent Gambling Authority Act 1995*.

Security refused entry to 30 barred and 2 self barred persons, and ejected 91 barred, 51 self barred and 6 Independent Gambling Authority barred persons during the financial year.

Skycity Adelaide also exercises its right to refuse persons entry under common law. 25 persons were refused entry and 31 persons barred under common law who were found on premises were asked to leave.

Skycity Adelaide's Security and Surveillance departments continue to be vigilant in this area.

Group Commission

As part of operating Group Commission program I require probity checks to be conducted to determine the suitability of commission play personnel (eg: Group Commission Operators, Group Commission Representatives and Commission Agents). 8 applications were received. Of these, 6 were granted approval after satisfactorily meeting all probity requirements, 1 application was withdrawn and 1 was refused.

Minors

The process of ensuring that minors are excluded from the casino is covered in the security and surveillance procedure manuals. These are approved by me and compliance is checked daily. I require Skycity Adelaide to supply a detailed report on each incident including how the person came under notice, what action was taken, the security procedures that were in place at the time and whether the minor had engaged in any gambling.

There were 8 reported instances of minors or suspected minors being detected on Skycity Adelaide premises compared to 3 last year. 5 of the incidents related to minors with parents attending restaurants, 1 involving an orientation tour for a group of volunteers for the Masters Games, 1 incident where a contractor brought his 14 year old son/assistant to work back of house, and one detected in the Loco Bar.

After reviewing the reports submitted by Skycity Adelaide on each incident I was satisfied that approved procedures had been adhered to and when necessary, staff had been disciplined or counselled.

The Security Department refused entry to 22 692 minors and suspected persons who were unable to produce suitable proof of being over 18 years of age. This is an increase of 14 911 over the previous year and is an indication of the diligence that Skycity applies to this obligation.

The Security Department confiscated a total of 75 suspect identification cards, an increase of 50 over the previous year. These were forwarded to SAPol for action

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I consider that Skycity Adelaide is diligent in excluding minors from the casino.

Reportable Transactions

During 2005–06 the casino reported a total of 1661 reportable transactions to AUSTRAC of which 48 were deemed to be classified as suspect transactions compared to 60 suspect transactions from 1534 reportable transactions in 2004–05.

Unclaimed Prizes

Skycity Adelaide paid \$13 764.40 in unclaimed prizes to the Office of the Liquor and Gambling Commissioner during 2005–06 compared to \$22 369.01 during 2004–05. All unclaimed prize amounts remitted to this office are audited and verified by Inspectors.

APPROVAL OF PERSONS

Applications for Approval

Skycity Adelaide must seek my approval for persons who work in sensitive positions. All casino positions have been classified as sensitive positions.

In approving a person in a sensitive position I must be satisfied that the person is fit and proper. Factors such as creditworthiness (including bankruptcy) and probity are taken into account. In determining whether a person is fit and proper, I must have regard to the honesty and integrity of the person's known associates, including relatives. A copy of every application is provided to the Commissioner of Police who may intervene in any proceedings before me on the question of whether a person is fit and proper.

During 2005–06 a total of 420 persons were approved as suitable persons to work in sensitive positions under section 30 of the *Casino Act 1997*.

As at 30 June 2006, a total of 1439 persons are approved under the *Casino Act 1997*.

Regular audits comparing our records with casino payroll records are conducted to ensure compliance and any variances are investigated. There were no discrepancies detected during the reporting period.

The Inspectorate also conducts random spot checks to ensure staff are wearing ID badges “*in a form and manner as approved by the Commissioner*”. For a first non-compliance offence staff are reminded of this requirement. There have not been any repeat offenders detected.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Applications Refused

On advice from the Commissioner of Police I issued 26 applicants with a “Notice of intent to refuse application”. 12 applicants did not respond to my letter and their applications were refused. Of the 14 applicants who attended a hearing, 8 were granted conditional approval, 4 were refused and 2 are still to be determined.

1 application was refused without a hearing under section 69 of the Act relating to confidentiality of information provided by the Commissioner of Police.

Applications Revoked

Under section 33, I may revoke an approval of a person made under Part 4 of the Act, on such grounds or for such reasons as I think fit.

I conducted a revocation of approval hearing for one employee when I became aware of a number of incidents that gave me concern as to the person being fit and proper. I determined that there were insufficient grounds to revoke the employee’s approval.

TECHNICAL MATTERS

Approvals of Games and Machines

I approved the following gaming machines, games and associated equipment for gambling:

- 19 new games
- 5 variations to existing games
- 1 new gaming machine
- 19 modifications to gaming machines
- 2 linked progressive jackpot controllers
- 8 variations of linked progressive jackpot controller software.

Accredited testing facilities, BMM International, GLI Australia and Technical Systems Testing provided certificates of compliance with the technical standards.

In June 2004, Skycity Adelaide sought approval to modify the parameters of a linked progressive jackpot system—‘Sky High’. On advice from the Crown Solicitor, I advised the casino that the application may be subject to the Independent Gambling Authority’s Game Approval Guidelines and may require it to make a submission on the impact of the modified parameters on problem gambling. Skycity Adelaide provided me with copies of its advice, arguing that such a submission should not be required. On further advice from the Crown Solicitor, I did not accept Skycity

Appendix B: Report of the Liquor and Gambling
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Adelaide's argument. No further correspondence has been received from Skycity Adelaide on this matter.

IGA Game Approval Guidelines

All applications for approval of a game were considered having regard to the Authority's Game Approval Guidelines.

Section 37A(1) of the Act requires that, in considering an application for approval of a game, I must have regard to any guidelines issued by the Authority for the purpose of assessing whether a game is likely to lead to an exacerbation of problem gambling.

The Authority issued guidelines for the purposes of s.37A(1) of the Act, effective 1 July 2003.

The Game Approval (Casino) (No.1) Guidelines 2003 provide:-

2. Game characteristics tending to an exacerbation

- (1) If a proposed game has one or more of the characteristics listed in sub-clause (2), approval of the game will be likely to lead to an exacerbation of problem gambling unless there is evidence to the contrary.
- (2) The characteristics referred to in sub-clause (1) are—
 - (a) **[non-linear]** that the statistical return to player for the game changes depending on the amount bet;
 - (b) **[illusion of control]** that the player may be induced to believe that his or her level of skill will affect the outcome of the game when this is not the case;
 - (c) **[win truncation]** that there are circumstances in which a prize provided for by the rules of the game would, but for a provision that provided that prizes would be truncated to the maximum prize permitted by law, exceed the maximum prize permitted by law;
 - (d) **[feature entry bet]** that the game has a special feature which is only available if the player bets at or above a particular level;
 - (e) **[paid-for feature game]** that the game has a special feature which will only commence if a further bet or bets are made;
 - (f) **[metamorphic]** that the game will transform into a different game when certain game events (requiring further play) have occurred;
 - (g) **[free spins]** that the game has a special feature which includes more than 25 automated free reel spins or bets;
 - (h) **[rate of play]** that the reel spin interval of the game is less than 3.5 seconds or, in the case of a game which does not display reels, a bet can be placed more than 17 times per minute;
 - (i) **[game screen meters]** that the game does not display the value in money of the credit balance, bet and win, using a "\$" symbol and numerals of the same size and intensity as the display of the credit balance, bet and win.

In December 2004, Skycity Adelaide sought approval of a game with a rate of play of less than 3.5 seconds and made submissions against clause 2. of the Guidelines. Skycity Adelaide argued that slowing the rate of play is not an effective harm minimisation measure and therefore this game, if it were to be approved, would not be likely to lead to an exacerbation of problem gambling.

Appendix B: Report of the Liquor and Gambling
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In support of its argument, Skycity referred to the research conducted by the University of Sydney Gambling Research Unit (the Blaszczynski report), a review of that research by the University of Auckland and the IPART report into the NSW gaming industry.

Blaszczynski found that slowing the rate of play was not an effective harm minimisation strategy and, further, there may be some negative impacts on problem gamblers by causing them to spend more time playing gaming machines.

I accepted that Skycity Adelaide's submission constituted 'evidence to the contrary' in respect of clause 2(2)(h) and approved the game.

As the argument put by Skycity Adelaide could be made for any game which has a rate of play of less than 3.5 seconds, I indicated that I would consider the approval of games with a faster rate of play having regard to Skycity Adelaide's submissions.

This applies to the Guidelines issued under both the Casino and Gaming Machines Acts.

During 2005–06, all applications for approval of a game were considered having regard to the Authority's Game Approval Guidelines. Aside from the rate of play characteristic, no games were approved that had features or characteristics covered by clause 2(2) of the Guidelines.

I have also issued clarifications in respect of clauses 2(2)(a) [non-linear] and (g) [free spins] of the Guidelines. These clarifications were issued to assist testers with the objective assessment of such features and, for a non-linear feature, to apply a 0.20% tolerance in line with the Gaming Machine National Standard.

Approval of Systems

No modifications to the gaming machine monitoring system (DACOM) or table game management system (SGM) operated by Skycity Adelaide were approved during 2005–06.

APPROVAL OF GAMBLING EQUIPMENT AND GAME RULES

Gambling Equipment

20th Anniversary Gambling Chip

Approval was granted under section 40(1)(a) of the Casino Act for Skycity Adelaide to use a special commemorative 20th Anniversary \$20 gaming chip. The chips are distinctive in colour and design so that are not confused with chips currently being used in either Skycity Adelaide or any other Australasian casino.

A similar commemorative gaming chip was issued on the casino's 10th anniversary.

Appendix B: Report of the Liquor and Gambling
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All commemorative chips form part of the nominal chip stock and are treated as any normal gaming chip.

Use of Gaming Tables in Marble Hall

On two occasions during 2005–06 conditional approval was granted under section 40(1)(a) of the Casino Act for Skycity Adelaide to utilise gaming tables in the Marble Hall:

- ◆ for either a Blackjack or Baccarat table to be utilised as a prop to facilitate the Adelaide Cup barrier draw. No other gaming equipment was used. Although the Marble Hall was open to the public during the draw there was no gambling, betting or money involved; and
- ◆ for the specific purpose of a privately booked Christmas function subject to the conditions that:
 - no live gaming was permitted in the Marble Hall;
 - no minors were to be permitted entry;
 - no cash or cash chips were to be used;
 - no prizes were to be offered by Skycity as part of this function;
 - Marble Hall was to be curtained off from general public viewing as would have been initiated for other functions; and
 - adequate security staff were to be posted at all times to all entry and exit points to this function.

On both occasions Inspectors from this office noted compliance with the conditions of the approval.

Game Rules

Under clause 8.1(d) of the Approved Licensing Agreement, I approved amendments to the rules of the following authorised games:

- ◆ **Poker—Manila (Two or Three Card)**
 - amendment to Rule 17 to remove any ambiguity to the blind bettor.
 - amendment to Rule 25(c) to state that a misdeal will be declared if one or more cards are exposed during the initial deal.
 - during tournament play where two or more players cease participation in the same round of betting, rule 87(c) previously required that the places would be declared according to a cut of the deck. Rule 87(c) was amended to allow the places to be declared based on the amount of chips that each player went all-in for (i.e. the player with the higher amount of chips shall receive the higher placing). Only when both players have placed the same amount of an all-in wager will a cut of the deck determine the place-getters.

Appendix B: Report of the Liquor and Gambling
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- ◆ **Poker—Omaha Holdem**
 - during tournament play where two or more players cease participation in the same round of betting, rule 92(c) previously required that the places would be declared according to a cut of the deck. Rule 92(c) was amended to allow the places to be declared based on the amount of chips that each player went all-in for (i.e. the player with the higher amount of chips shall receive the higher placing). Only when both players have placed the same amount of an all-in wager will a cut of the deck determine the place-getters.
- ◆ **Poker—Texas Holdem**
 - amendment to Rule 13 to remove any ambiguity;
 - during tournament play where two or more players cease participation in the same round of betting, rule 92(c) previously required that the places would be declared according to a cut of the deck. Rule 92(c) has been amended to allow the places to be declared based on the amount of chips that each player went all-in for (i.e. the player with the higher amount of chips shall receive the higher placing). Only when both players have placed the same amount of an all-in wager will a cut of the deck determine the place-getters.

SUMMARY

Change in Focus

Previously, the standard approach to the scrutiny of casino operations has been by a physical presence at, and a direct involvement in, areas of vulnerability. I am currently implementing a shift in focus from direct involvement, observation and scrutiny toward a targeted audit and report based system which will focus on areas of risk.

OUTLOOK 2006–07

Objectives

In 2006–07 I plan to refine my monitoring and compliance program by:

- ◆ implementing a risk based approach to compliance assessments and audit of the Casino's operation;
- ◆ reviewing the implementation of a digital CCTV system to ensure appropriate monitoring of the operations of the casino ; and
- ◆ reviewing procedures relating to minors attending casino premises.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 1

Details of targeted inspections conducted in 2005–06

Type of Inspection	Check For	Frequency	Findings
<i>Gambling Equipment</i>			
Gaming Machines	Logic boards sealed and not tampered with	Quarterly	No discrepancies found
Gaming Machines	Game changes were authorised, correctly installed and sealed	Quarterly	No discrepancies found
Gaming Machines	Verify that gaming machines are communicating with the DACOM monitoring system and with other jackpot link devices	Quarterly	No discrepancies found
Playing Cards	Ensure that card decks were complete, not marked and were approved for use in the casino	Regularly	No discrepancies were detected
Card and Dice Room	Ensure that no unauthorised equipment had been introduced or disposed off without approval.	Monthly	No discrepancies were detected
Roulette Wheels	Inspections cover aspects of balance, bias and condition of equipment	Monthly	All wheels were in accordance with Inspectorate records and approved specifications
Big Wheels	Ensure that tolerance levels were within the manufacturer's specifications. Other irregular checks included visual inspection for bias in the balance of the wheels.	Monthly	All Big Wheels checked were in accordance with Inspectorate records and approved specifications.
Big & Small tumbler and electronic table	the integrity of the dice sealed in the Big and Small tumbler and the correct sequence of lights were activated to display winning segments.	Regularly	All items were in accordance with Inspectorate records and approved specifications

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Type of Inspection	Check For	Frequency	Findings
<i>Financial</i>			
Soft Count	Soft Count involves the collection, counting and reconciliation of all gaming table monies. The Inspectorate currently attends all aspects of soft count but is developing procedures that will reduce the Inspectorate involvement in the process	Daily	Any discrepancies are resolved immediately.
Hard Count	Ensure the collection, transportation, supervision and counting of drop buckets complied with the Accounting and Internal Control, Policies and Procedures Manual.	Daily	One audit revealed a discrepancy in the number of buckets counted and the investigation showed human error in following procedures led to the oversight. Staff were reminded that any uncertainties in procedures were to be rectified with Supervisors.
Chip Bank	Full audit of the casino's Gaming Chip Bank is conducted as part of the overall process of verifying the casino's Net Gaming Revenue	Quarterly	No discrepancies were detected
Main Cage Floats	Verify that each Cashier's float reconciled to the Main Bank Control Sheet.	Quarterly	No discrepancies were detected
Float Inventories	Monitor the opening gaming chip balances of all gaming tables	Daily	During the reporting period a number of discrepancies were detected and rectified.
<i>Compliance with Procedural matters</i>			
Gifts and Gratuities	Audit compliance with section 36 of the Casino Act which sets out requirements in relation to gifts and gratuities for casino staff.	Quarterly	No discrepancies detected.
Lost Property Log	Verify that all items listed are accounted for and disposed of in the approved manner	Quarterly	No discrepancies detected

Appendix B: Report of the Liquor and Gambling
 Commissioner—continued

Type of Inspection	Check For	Frequency	Findings
<i>Restricted Players</i>			
Restricted Players	If player disagrees with Skycity Adelaide’s assessment.	By complaint	Skycity Adelaide advised that six patrons were identified as restricted players under the rules of Blackjack. Skycity Adelaide, using the “Bloodhound” software analysed patterns of play and identified them as card counters. No complaints were received by the Inspectorate about the restrictions

Appendix B: Report of the Liquor and Gambling
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AUTHORISED BETTING OPERATIONS ACT 2000

FUNCTIONS

Section 63 of the *Authorised Betting Operations Act 2000* provides that the Commissioner is responsible to the Independent Gambling Authority for ensuring that the wagering operations of each business licensed under the Act are subject to constant scrutiny. These businesses include SA TAB (licensed to conduct off-course fixed odds and totalisator betting), racing clubs (on-course totalisator betting) and bookmakers (fixed odds betting).

The Commissioner is also responsible for various functions including:

- ◆ inspection, monitoring and scrutiny of wagering operations;
- ◆ provision of reports to assist the Authority in its role as the disciplinary body for licensees.
- ◆ approval of rules for on and off-course betting by SA TAB and racing clubs;
- ◆ approval of SA TAB and racing club systems and equipment as required by the Authority;
- ◆ approval of contracts entered into by SA TAB;
- ◆ approval of telephone betting systems and procedures for bookmakers;
- ◆ approval of account betting systems and procedures for bookmakers;
- ◆ grant and renewal of licences for bookmakers, agents and 24 hour sportsbetting;
- ◆ grant of permits to bookmakers to accept bets at racecourses and other places; and
- ◆ grant approval to bookmakers to accept bets by telephone;

In order to fulfil my statutory requirements under the Act, I am assisted by the Racing Services section of my Office which includes 4 staff involved in management and administrative support and 3 inspectors.

2005–06 OBJECTIVES

At the beginning of the 2005–06 year I set out to achieve the following:

- ◆ establish a licensing regime for bookmakers and agents;
- ◆ implement a rigorous program of routine inspections, records audits, media monitoring and other compliance assessments of all licensees with a view to assessing all licensees for compliance with the first six months;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ develop self-assessment compliance audit checklists for licensees; and
- ◆ review and assess licensee compliance during the year to determine if a risk based approach would be appropriate in future.

MONITORING AND COMPLIANCE PROGRAM

In setting my objective to conduct a routine inspection of all licensees within six months of the commencement of inspections, I was conscious that the licensees concerned had not previously been subject to such inspections although the Responsible Gambling Codes of Practice had been in force for some time. Until 1 July 2005, my staff had been involved in the provision of betting services on racecourses throughout the State and I had not had the resources to conduct compliance inspections. However, by August 2005 I had recruited additional staff and commenced a re-training programme for those inspectors previously involved in the betting service function.

Self Assessment Compliance Audit Checklists

Prior to the commencement of routine inspections, and to assist licensees to understand and comply with the numerous requirements under the wagering legislation, my Office developed comprehensive self-assessment compliance audit checklists. Checklists covering SA TAB, racing clubs and bookmakers were sent to licensees in July 2005. Completion of the checklist was not mandatory and licensees were not required to provide my Office with a completed copy.

New Compliance Reporting System

A new compliance reporting system has been developed and will go live from 1 July 2006. However, as there was no history of wagering compliance on any existing systems, statistics for 2005–06 were maintained on a spreadsheet and I am therefore unable to report in a manner similar to that which I have used for my report on gaming operations. This will be resolved by the implementation of the new system.

Monitoring Methods

A range of methods were used to monitor wagering operations and detect non-compliance, including:

- ◆ compliance assessments of wagering operations of licensees as part of a routine inspection program;
- ◆ media monitoring of advertisements;
- ◆ targeted assessments and investigations in response to specific issues or complaints;
- ◆ audits of records;

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

- ◆ account and telephone betting audits;
- ◆ dispute resolution.

Routine Inspections

All licensed bookmakers, racing club and SA TAB outlets were inspected as soon as possible after routine wagering inspections commenced in August 2005 with most having been assessed at least once by 31 March 2006.

Only the following outlets had not been subject to at least one audit by 30 June 2006:

- ◆ 1 SA TAB outlet at Coober Pedy (scheduled for inspection in September 2006);
- ◆ 15 licensed racing clubs that did not conduct any totalisator betting; and
- ◆ 3 bookmakers who did not receive permits to bet.

A routine inspection involves inspectors checking a predetermined list of issues, mainly related to compliance with the Responsible Gambling Codes of Practice. Often licensees conduct wagering operations from more than one location or gambling area. This particularly applies to racing clubs, with many wagering outlets on a racecourse, and bookmakers who often operate more than one betting stand at race meetings.

By 30 June 2006, many of the 350 SA TAB outlets, 43 licensed racing clubs and 34 licensed bookmakers had been inspected more than once. In total, 579 SA TAB outlet, 176 racing club and 214 bookmaker gambling area routine inspections were conducted.

Routine inspections detected 369 instances (65% of all SA TAB instances of non-compliance) of responsible gambling helpline cards not available throughout SA TAB gambling areas. In November 2005, I was advised by the Authority that, at the request of SA TAB, it was prepared to review this requirement of the SA TAB responsible gambling code and that it might be appropriate for me to modify SA TAB inspection and compliance measures pending a resolution of this issue. I continued to record instances of non-compliance but did not seek explanations from SA TAB.

Appendix 1 details the number of gambling area routine inspections conducted and the instances of non-compliance detected.

Media Monitoring

Advertisements in print media were reviewed for compliance with the Advertising Codes of Practice. Inspectors reviewed 108 SA TAB advertisements and 64 racing club advertisements and detected no evidence of non-compliance.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Targeted Assessments / Investigations

I conducted a number of targeted assessments/investigations in relation to wagering operations.

Inspectors attended SA TAB outlets to audit cash balances to determine if any credit betting had taken place.

Website and race book assessments were undertaken to detect non-compliance and I investigated a complaint about misleading advertising.

Assessments were also undertaken to determine compliance with requirements to lodge unclaimed dividends.

Appendix 2 details the number of targeted assessments/investigations conducted and the instances of non-compliance detected.

Records' Audits

Staff checked the monthly government duty payments made by SA TAB and audited over 1600 betting records lodged by bookmakers. Returns lodged by racing clubs in relation to punters clubs were also audited.

Appendix 3 details the number of records' audits conducted and the instances of non-compliance detected.

Account and Telephone Betting Audits

Following completion of a concentrated program of records' audits, staff commenced audits of bookmaker telephone voice recordings and credit betting records to check for compliance with the approved account and telephone betting procedures. Staff also look for any evidence of problem gambling by assessing betting patterns of individuals and credit limits.

Four audits detected no instances of non-compliance or evidence of problem gambling

Dispute Resolution

SA TAB punters lodged 7 betting disputes. I investigated these disputes and found no evidence of non-compliance by SA TAB.

I also investigated two betting disputes involving bookmakers.

In one case, the horse on which the bet was placed and the odds were in dispute. I conducted a hearing and determined that, under the Rules, the bet should be called off. I directed the bookmaker to refund to the punter the amount invested.

The second dispute evolved into a major investigation and received significant media attention. The dispute was lodged by a bookmaker and involved the placing of two

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

bets with him on an event at Gold Coast Greyhounds on 20 December 2005. The value of the bets in dispute was over \$600 000.

The bookmaker asked that I consider the circumstances of the bets in relation to rule 104 of the Rules which provides that ‘settlement of bets made in accordance with these rules shall not be disturbed except in cases of fraud’ and rule 129 which states that ‘if any question arises that is not provided for by the rules, it shall be determined by the Commissioner’.

Solicitors for the bookmaker and the two punters concerned lodged a series of submissions containing complex legal arguments. Although my final decision was made shortly after the end of the period to which this report relates, I can report that I determined that there was no justification to disturb settlement of the bets under rule 104 or to intervene under rule 129.

There were no disputes lodged involving bets placed with licensed racing clubs.

Breaches

Inspections in the early part of the year showed that all licensees have had difficulty in complying with their respective Responsible Gambling Codes of Practice. Non-compliance with these Codes accounted for 98% of all SA TAB non-compliance, 89% for racing clubs and 47% for bookmakers.

Under the provisions of the SA On-Course Betting Operations Rules and the Regulations, any totalisator bet made with a licensed racing club but not claimed within 1 year of the date of the bet, is deemed to be an unclaimed dividend. Clubs must lodge these unclaimed dividends with my Office within 7 days of the end of the calendar month in which they became unclaimed dividends.

In the case of bookmakers, the Bookmakers Licensing Rules and the Regulations provide that any bet not claimed by the Wednesday week after the date of the bet becomes unclaimed winnings and must be lodged with my Office by 3pm the next day.

Non-compliance with requirements to lodge unclaimed dividends/winnings represented 8% of all instances of non-compliance by racing clubs and 25% of all non-compliance by bookmakers.

Appendix 3 details all non-compliance detected, with reference to the relevant legislation.

Risk Assessment

Approximately 85% of all non-compliance by SA TAB, racing clubs and bookmakers was detected in the period from August to 31 December 2005. It was evident by 31 March 2006 that licensees were maintaining significant improvement in compliance with the Responsible Gambling Codes of Practice and I therefore determined to shift my assessment focus away from routine inspections.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

I commenced an audit program of bookmaker records and this has resulted in a similar improvement in compliance.

I have again shifted focus and inspectors are now undertaking regular audits of bookmaker account and telephone betting to detect non-compliance and any evidence of problem gambling.

Non-compliance by punters clubs conducted by licensed racing clubs have caused concern. These will be the focus of targeted assessments in the future.

Routine inspections are continuing and the number may appear significant given my comments about a more risk based approach. However, inspectors attended major race meetings like Balaklava Cup, Melbourne Cup, Office Christmas Race Day, Oakbank Easter Saturday and Adelaide Cup. These meetings have significant numbers of gambling areas and bookmakers, and although inspectors assess compliance with some elements of the Codes of Practice, their focus is on observation of wagering operations to detect any betting by minors or intoxicated persons.

Appendix 5 details the number of routine inspections of gambling areas conducted and instances of non-compliance detected (excluding SA TAB non-compliance in relation to gambling helpline cards throughout gambling areas from November 2005).

Action Taken

Although I am the licensing authority under the Act for bookmakers and agents, I have no disciplinary powers in relation to any licensees.

During the year, monthly statistical compliance reports were made to the Authority and specific instances of non-compliance were highlighted. Also, in several cases, separate reports were made to the Authority.

Most instances of non-compliance related to relatively minor matters involving compliance with administrative procedures in Codes of Practice, Rules and Regulations.

At the time of writing this report, I am in the process of developing, with the Authority, an appropriate process to report non-compliance by each licensee in a manner that will enable the Authority to consider appropriate disciplinary action.

TECHNICAL MATTERS

Approvals of Betting Terminals

I approved modified software for the 'KB Terminal' on-course betting terminal under section 41(1)(c) of the Act:-

1. KB Terminal software version 2.3.5—modified printer driver to be compatible with new ticket printers

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

2. KB Terminal software version 3.1.1—fixed minor user interface issues

Regulatory Approvals

SA Betting Operations Rules

In January 2006 I approved amendments to the SA Betting Operations Rules to stipulate further exceptions to the general rule that fixed odds investments made on selections for a multi-leg event are made on a play and pay basis,

In March 2006 I approved amendments to the SA Betting Operations Rules to allow punters to combine their fixed odds betting across betting options i.e. multiple betting.

The approved amendments were in the Queensland Wagering Rule which is incorporated into the SA Betting Operations Rules.

Bookmakers Licensing Rules 2000

In October 2005, in accordance with rule 130AA of the Rules, I approved systems and procedures for licensed bookmakers who accept bets by telephone. These provided for the SA Bookmakers' League to establish a telephone betting recording system for use by all bookmakers and subjected all bets accepted by telephone to the requirements of previously issued procedures for account betting.

With effect 1 January 2006, and in accordance with rules 2B and 29(3)(c) of the Rules, I determined classification of race meetings and risks for races held at places other than where bookmakers were operating.

The Rules determined the risk limits (the amounts that a bookmaker must risk in accepting a bet) for race meetings of various classes and betting areas. I classified all galloping, harness and greyhound meetings as Class A, B, C, or D. The rules provided that, in classifying a meeting, I could have regard to the likely turnover at the meeting, the day and time of the meeting, the prizemoney on offer and the location of the meeting.

For example, I classified meetings conducted by the SA Jockey Club as Class A meetings and the Rules state that the minimum risk for such meetings is \$3 000 for a bookmaker in a premium betting area or \$2 000 in any other betting area at the meeting. Greyhound meetings conducted at Gawler were classified as Class C and the risk is \$1 000.

The risks prescribed in the Rules relate to the bets accepted on the races conducted at the meeting at which a bookmaker is operating. Under rule 29(3)(c) I determined the risks applicable for bets on races conducted elsewhere. For example, I determined that a race meeting conducted by the Balaklava Racing Club should be a Class B meeting and, under the Rules, bookmakers must risk \$1 500 on bets placed on the races conducted at that meeting. However, if the bookmaker is also accepting bets on interstate races, I have determined that the risk on those bets should be \$1 000.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Approved Licensing Agreement

In accordance with clause 7.2 of the Approved Licensing Agreement I granted approval for SA TAB to enter into a contract valued at approximately \$500 000 for the supply of SA TAB's betting and administration tickets.

SA TAB Compliance Plan

In accordance with clause 7.2 of the SA TAB Compliance Plan, approved under section 41(1) of the Act, I directed SA TAB to modify the Compliance Plan to provide that telephone bet recordings are to be kept if there is a complaint lodged, SA TAB has grounds to suspect that a complaint has been or will be lodged, or the Liquor and Gambling Commissioner so directs.

BOOKMAKER LICENSING AND GRANT OF PERMITS

LICENSING

As at 30 June 2006, there were 350 SA TAB outlets, 43 licensed racing clubs, 34 bookmakers, 158 agents and 1 bookmaker held a 24 hour sportsbetting licence.

Licence condition

I attached the following condition to the licences of all bookmakers:

“5. Returns. The licensee must furnish the Liquor and Gambling Commissioner with a weekly return, in a format approved by the Commissioner, detailing all bets held for each seven day period ending at midnight on Sunday by 3pm on the following Thursday.”

This condition was necessary when my Office ceased responsibility for the collection and distribution of bookmaker weekly levy payments to clubs. In order to maintain constant scrutiny of the financial position of bookmakers, I determined that I still required weekly details of amount held and paid, even though I was no longer collecting levy payments.

Suitability hearing

Following concerns expressed by the Authority, I conducted a hearing into the suitability of an applicant to hold an agent's licence. As a result of that hearing, I determined that a licence be granted to the applicant.

PERMITS

In accordance with sections 55(2) and 55(3) of the Act I consulted with racing clubs and venue operators before granting permits to bookmakers to bet. I granted 2164 permits to accept bets at racecourses, 644 for the Morphettville Betting Auditorium and 61 for other venues.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

The permits were issued to twelve bookmakers granted approval under section 56 of the Act to accept bets by telephone.

Appendix 6 details licences granted and renewed and permits granted, refused and revoked.

SUMMARY

Review of Initial Objectives

A licensing system for bookmakers and agents was introduced and the processing of applications for new licences and renewals is ongoing.

I am satisfied with the number of routine inspections conducted, particularly within the first six months, and I am confident that the number conducted can be reduced without any impact on compliance levels.

The statistics kept enabled me to review and assess compliance during the year and adopt a risk based approach.

Compliance

Given that the requirements of the Codes of Practice have been in place for wagering licensees for some time prior to the commencement of routine inspections, I was surprised at the initial high level of non-compliance.

However, assessments of all licensees within a short period of time, requests for explanations of non-compliance and an increased awareness of licensee responsibilities caused the level of non-compliance to reduce by the end of the year.

This same approach, concentrated assessments over a short period of time, also detected significant non-compliance, followed by marked improvement, in relation to betting records and lodgement of unclaimed dividends.

While maintaining an appropriate level of routine inspections and records audits, staff will now focus on other issues including prevention of betting by minors and intoxicated persons, and ensuring that licensees take steps to prevent problem gambling.

It is clear that now that licensees understand the Codes the level of compliance has improved dramatically.

Change in Focus

Since 1 July 2005, my Office has ceased responsibility for the provision of betting services on racecourses, day to day running of the bookmaker telephone betting system and the collection and distribution of bookmaker levy payments to racing clubs.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

This has enabled me to commit more resources towards the constant scrutiny of licensees.

OUTLOOK 2006–07

OBJECTIVES

In 2006–07 I plan to refine my monitoring and compliance program by:

- ◆ maintaining a risk based approach to compliance assessments;
- ◆ reviewing the steps taken by licensees to prevent problem gambling by cash customers and account holders;
- ◆ reviewing the responsible gambling training conducted by wagering licensees to determine effectiveness; and
- ◆ reviewing and, if necessary, raising the level of security lodged by all bookmakers.

I also expect that an appropriate compliance reporting procedure will be established so that I can provide regular reports that will enable the Authority to consider disciplinary action against licensees who breach the Act, Regulations, Rules, Codes of Practice, licence conditions, etc.

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 1

Number of gambling area routine inspections conducted and the instances of non-compliance detected

	SA TAB		Racing Clubs		Bookmakers	
No of outlets/licensees	350		43		34	
No of outlets/licensees inspected	349		28		31	
Number of gambling areas inspected	579		176		214	
Items assessed in routine inspection	Instances of non-compliance	% of gambling areas	Instances of non-compliance	% of gambling areas	Instances of non-compliance	% of gambling areas
Governed by a Code of Practice Sign	14	2%	34	19%	21	10%
All staff received problem gambling training	37	6%	11	6%	28	13%
Time of day visible in gambling area	-	-	1	1%	15	7%
Responsible Gambling Poster displayed	13	2%	13	7%	N/A	N/A
Responsible Gambling pamphlet displayed	50	9%	8	5%	13	6%
Code of Practice available	2	1%	7	4%	9	4%
Responsible Gambling document maintained	128	22%	23	13%	51	24%
Responsible Gambling material back of house	20	3%	9	5%	N/A	N/A
Gambling Helpline Sticker on or near betting terminals	11	2%	1	1%	N/A	N/A
Gambling Helpline Stickers on or near ATM	-	-	4	2%	N/A	N/A
Gambling Helpline message on betting tickets	-	-	-	-	4	2%
Gambling Helpline cards at betting terminal	61	11%	13	7%	N/A	N/A
Gambling Helpline Cards or near each ATM	-	-	1	1%	N/A	N/A
Gambling Helpline cards throughout gambling area	369	65%	6	3%	N/A	N/A
SA Betting Operations Rules available	2	1%	8	5%	N/A	N/A
Self Exclusion procedures evident	2	1%	-	-	-	-
Responsible Gambling message in race book	N/A	N/A	11	6%	N/A	N/A
Punters Club—results displayed	N/A	N/A	1	1%	N/A	N/A
Bookmakers carrying photo ID	N/A	N/A	N/A	N/A	16	7%
Bookmaker or licensed agent present	N/A	N/A	N/A	N/A	1	1%
Records correctly kept	N/A	N/A	N/A	N/A	25	12%
TOTAL Instances of non-compliance	709		151		183	

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 2

Number of targeted assessments/investigations conducted and the instances of non-compliance detected.

	SA TAB		Racing Clubs		Bookmakers	
Targeted assessments/investigations	45		23		2	
Instances of non-compliance	Instances of non-compliance	% of total instances	Instances of non-compliance	% of total instances	Instances of non-compliance	% of total instances
Only accept bets on approved contingencies	1	33%	-	-	-	-
Do not accept bets unless payment made	1	33%	-	-	-	-
Lodge unclaimed dividends by prescribed time	-	-	14	74%	-	-
Advertising does not make claims that are not based on fact or are unable to be proven	1	33%	-	-	-	-
No responsible gambling message on website	-	-	4	21%	1	100%
Conduct totalisator betting only at approved times	-	-	1	5%	-	-
TOTAL Instances non-compliance	3		19		1	

Appendix 3

Number of records audits conducted and the instances of non-compliance detected

	SA TAB		Racing Clubs		Bookmakers	
Records audits	12		4		1623	
Instances of non-compliance	Instances of non-compliance	% of total instances	Instances of non-compliance	% of total instances	Instances of non-compliance	% of total instances
Record information on betting records	-	-	-	-	52	42%
Lodgement of unclaimed dividends	-	-	-	-	71	58%
Punters club information displayed	-	-	1	25%	-	-
Punters club returns lodged	-	-	3	75%	-	-
TOTAL Instances of non-compliance	-		4		123	

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 4

Details of all non-compliance found, with reference to the relevant legislation, are as follows:

Instances of non-compliance	SA TAB		Racing Clubs		Bookmakers	
	712		174		307	
Type of non-compliance	Instances of non-compliance	% of total instances	Instances of non-compliance	% of total instances	Instances of non-compliance	% of total instances
Authorised Betting Operations Act 2000	3	1%	-	-	-	-
Authorised Betting Operations Regulations 2001	-	-	14	8%	77	25%
SA Betting Operations Rules	-	-	-	-	-	-
Bookmakers Licensing Rules 2000	-	-	-	-	70	23%
Responsible Gambling Code of Practice	709	99%	155	89%	144	47%
Advertising Code of Practice	-	-	-	-	-	-
Licence Condition	-	-	5	3%	16	5%
TOTAL Instances of non-compliance	712		174		307	

Appendix 5

Number of routine inspections of gambling areas conducted and instances of non-compliance detected throughout the year (excluding SA TAB non-compliance in relation to gambling helpline cards throughout gambling areas since November 2005)

No of outlets/ licensees assessed	SA TAB			Racing Clubs			Bookmakers		
	349			28			31		
Month	No of gambling areas inspected	Instances of non-compliance	% of total instances	No of gambling areas inspected	Instances of non-compliance	% of total instances	No of gambling areas inspected	Instances of non-compliance	% of total instances
July 2005	-	-	-	-	-	-	-	-	-
August 2005	29	57	13%	16	48	32%	22	102	56%
September 2005	54	88	21%	4	19	13%	3	9	5%
October 2005	84	133	31%	16	31	21%	6	12	7%
November 2005	113	61	14%	36	23	15%	41	24	13%
December 2005	41	24	6%	30	7	5%	19	4	2%
January 2006	27	12	3%	5	5	3%	6	11	6%
February 2006	56	14	3%	9	5	3%	14	6	3%
March 2006	39	8	2%	19	5	3%	33	5	3%
April 2006	54	14	3%	23	4	3%	46	9	5%
May 2006	46	13	3%	11	3	2%	10	-	-
June 2006	36	6	1%	7	1	1%	14	1	1%
TOTAL	579	430		176	151		214	183	

Appendix B: Report of the Liquor and Gambling
Commissioner—continued

Appendix 6

Licensing statistics

	Bookmakers	Agents	24hour sportsbetting
Licensees as at 30 June 2005	35	241	1
New licences granted	2	9	-
Licences not renewed	1	92	-
Licences surrendered	2	-	-
TOTAL Licensees as at 30 June 2006	34	158	1

Applications for licence renewal received	30	139	-
Renewals granted	16	106	-
Renewals not granted	-	-	-

Renewals pending as at 30 June 2006	14	33	-
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Permit statistics

	Race meetings	Auditorium	Other Venues	Telephone Betting Approvals
Applications Received	2334	644	61	12
Permits Refused	63	-	-	-
Permits Revoked	107	-	-	-
Permit decisions appealed	-	-	-	-
TOTAL Permits Granted	2164	644	61	12

APPENDIX C

External consultants used during 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>
Group—Below \$10 000			
Various	Various		
<i>Group total</i>		3	\$8 205
Group—\$10 000–\$50 000			
<i>Group total</i>		0	–
Group—Above \$50 000			
Adelaide Research and Innovation Pty Ltd	Provision of Propensity study and literature review update		
National Institute of Labour Studies (Flinders University)	Impact of codes of practice		
SA Centre for Economic Studies	Economic impacts study		
Australian Institute of Primary Care	Role of games and game features in the play of problem gamblers		
<i>Group total</i>		4	\$403 811
<i>All consultants total</i>		7	\$412 016

APPENDIX D

Estimate of the cost of voluntary barring

The cost (unaudited) of the voluntary barring process under section 15B of the *Independent Gambling Authority Act 1995* has been estimated at \$16 269. This is an unaudited estimate. A breakdown of the estimate is given in the table at the end of this appendix. An explanation of the process and cost assumptions follow.

A person requesting to be barred attends the Office of the Authority for an interview. As a result of the interview, the person will be barred from a number of venues, which number will vary with the circumstances. Each interview is recorded as a “session” and a session gives rise to a number of “orders” with costs being related to both sessions and orders.

A barred person does not need to attend an interview to request additional orders. The barred person can request additional orders by writing to the Authority. Each written request is recorded as a session.

The estimate used for this year’s annual report uses the same methodology and activity based costing assumptions as the estimate for 2004–05. The labour component has been the subject of a uniform increase in respect of salary rate increases.

BREAKDOWN OF ESTIMATE OF COST OF VOLUNTARY BARRING

<i>Item</i>	<i>2005–06</i>	<i>2004–05</i>
<i>Session costs</i>		
Conduct and write up interview (barring)	\$5 330	\$6 753
Conduct and write up revocation	1 854	1 019
Prepare documentation	<u>2 939</u>	<u>3 199</u>
	\$10 123	\$10 971
<i>Order costs</i>		
Collation, consumables and postage	1 660	6 089
<i>Fixed overhead</i>		
Amortisation and software costs	4 486	4 726
<i>Total</i>	<u>16 269</u>	<u>21 786</u>



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