



DEPARTMENT OF
RACING, GAMING & LIQUOR



ANNUAL REPORT

2005 - 06

**HON MARK MCGOWAN MLA
MINISTER FOR THE ENVIRONMENT; RACING AND GAMING**

In accordance with section 62 of the *Financial Administration and Audit Act 1985*, I hereby submit, for your information and presentation to Parliament, the Annual Report of the Department of Racing, Gaming and Liquor for the financial year ended 30 June 2006.

The Annual Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.



Barry A Sargeant
DIRECTOR GENERAL

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DIRECTOR GENERAL'S OVERVIEW

I am pleased to present the report for the Department of Racing, Gaming and Liquor for the year ended 30 June 2006. The past 12 months have issued many challenges for the racing, gaming and liquor industries, and the Department has been at the forefront of providing assistance to meet and overcome those challenges.

Outlined in this report are the events, initiatives and achievements that have been a feature of the 2005-2006 reporting year.

A major undertaking for the Department throughout the past year has been the development of the *Liquor and Gaming Legislation Amendment Bill 2006*. The Bill outlines a number of proposed reforms to the Liquor Licensing Act that will deliver significant change to the State's liquor industry.

The Department will be responsible for implementing the reforms, and assisting licensees and the public to prepare for a new liquor environment.

The Department assisted with the development of the *WA Drug and Alcohol Strategy* in conjunction with the Drug and Alcohol Senior Officers Group. The vision of the Strategy is for Western Australians to value and lead healthy and safe lifestyles, with access to the best services and programs to prevent, reduce and delay alcohol and other drugs harm.

The Department also participated in developing supporting initiatives, including the *Aboriginal Alcohol and Other Drugs Plan 2005-2009*, the *Volatile Substance Use Plan 2005-2009*, the *Agency Drug and Alcohol Action Plans 2005-2009* and the *Alcohol Plan 2005-2009*.

Country Racing Venues have been the recipients of significant levels of infrastructure funding over the past year. With the assistance of Racing and Wagering Western Australia, the Department allocated \$10.9 million to 33 country race clubs throughout the State during the first year of the Government's \$20 million regional racecourse infrastructure grants program.

Funding has been utilised for a number of significant works projects including, but not confined to:

- improvements to, or replacement of track services;
- upgrades and improvements to public facilities;
- new or refurbished starting barriers; and
- improvements to jockey and steward facilities.

Clubs are an important focus of rural society and improvements to infrastructure will greatly assist in maintaining a vibrant racing industry in country areas.

The Department streamlined the process by which a person seeking a licence under the *Casino Control (Burswood Island) (Licensing of Employees) Regulations 1985* can be employed.

In accordance with the Regulations, a Burswood Casino employee can be issued with a provisional licence by obtaining a Police Clearance certificate. The provisional licence permits a Burswood staff member to be actively employed while waiting for a full licence to be issued by the Chief Casino Officer, which will still be based on a report from the Commissioner of Police.

The Department concluded a review into the operation of bingo in Western Australia.

Based on the report presented by the Department, the Gaming and Wagering Commission of Western Australia approved amendments to the *Gaming and Wagering Commission Regulations 1988* to align bingo with changing community expectations.

The Department has restructured its inspectorate and now allocates inspectors to the racing, gaming or liquor industries for a period of three months. This has enabled a group of inspectors to be able to concentrate on a specific area, and provides the relevant industry a concentrated resource to assist with enquiries.

Over the course of the past year, the Department granted;

- 180 new liquor licences,
- 3,886 occasional licences, and
- 1,758 one-off extended trading permits.

As delegates of the Gaming and Wagering Commission, Department staff issued 2,413 gaming permits resulting in the raising of approximately \$49.2 million by charitable and community groups. More than \$14.7 million was returned to the community for the active promotion, support or conduct of sporting, social, political, literary, artistic, scientific, benevolent, charitable or other like activity.

During the reporting year the Department processed, on behalf of the Gaming and Wagering Commission of Western Australia, three new video and six table games for play at Burswood Casino. The rules of a further 11 games were varied.

Over the past 12 months casino gaming revenue in excess of \$341million was generated, producing approximately \$59.1 million in casino taxation revenue for the State, compared with approximately \$311 million and \$51.6 million respectively in 2004-2005.

The year's achievements have been rewarding for the Department as a whole, and could not have been delivered without the dedication and professionalism of staff.

Once again, their collective efforts have been of the highest standards, and I would like to take this opportunity to recognise their ongoing commitment to the Department and the industries that it represents.



Barry A Sargeant
DIRECTOR GENERAL

SUMMARY OF ACHIEVEMENTS, INITIATIVES AND ISSUES

The Department of Racing, Gaming and Liquor promotes and maintains the integrity of lawful gambling and liquor activities, in which all Western Australians can participate, through the licensing and regulation of suppliers, within community expectations on harm minimisation.

ISSUES AND TRENDS

REFORM OF THE LIQUOR LICENSING ACT

Following publication in July last year, the report of the committee chaired by Mr Jim Freemantle on the review of the Liquor Licensing Act, was released for public comment. A total of 2,560 submissions were received from:

- persons directly affected by the recommendations;
- members of the general public;
- government and local government agencies;
- community organisations;
- health and related services; and
- other professional associations.

Of those submissions, 2,328 were pro forma, of which 2,190 can be attributed to the high profile 'WA Said No' campaign conducted by the Australian Hotels Association (WA Branch) that opposed the changes proposed. Following further consultation with various stakeholders between late 2005 and early 2006, on 28 March 2006 Cabinet approved a package of reforms, which include the following key changes:

- allowing restaurants the option under a permit of serving liquor without a meal;
- creating a new 'small bar' licence category to encourage a more vibrant cafe-style liquor culture;
- providing a less legalistic and less costly licensing process, by replacing the Liquor Licensing Court with a new Liquor Commission;
- replacing the anti-competitive 'needs' based test for new licences with a fairer 'public interest' test;
- allowing metropolitan liquor stores to open on Sundays, in line with hotel bottle shops; and
- new policing and harm minimisation measures to promote responsible drinking.

PROTECTING THE INTEGRITY OF THE RACING INDUSTRY

To protect the Western Australian racing industry from the operation of betting exchanges, which pose a significant threat to the industry's integrity, the Government introduced into Parliament on 21 June 2006 the *Betting and Racing Legislation Amendment Bill 2006*, to prohibit the:

- establishment/operation and use of a betting exchange; and
- publication of Western Australian race fields without the appropriate approval.

With respect to the prohibition on betting exchanges, the Bill:

- will make it an offence for:
 - the establishment or operation of a betting exchange in Western Australia; and
 - a person in Western Australia to bet through a betting exchange.

In regard to the publication of Western Australian race fields, the Bill establishes a licensing framework that will:

- restrict the publication/use of Western Australian race fields to wagering services providers that have been approved by the Minister for Racing and Gaming (or delegate);
- require assessments of wagering service providers to be against a prescribed criteria.
- In this regard, the Minister will also consider a public interest test in relation to the integrity of the applicant and the integrity of the applicant's wagering activity. This way, the questionable wagering practices of a betting exchange (that is, betting to lose) will be subject to a public interest assessment.
- not give automatic right to wagering service providers who have obtained an approval from the Minister to publish/use WA race field information; instead, require through a condition of an approval that WA race fields must be obtained from RWWA (the controlling authority) for a fee;
- permit RWWA to negotiate the provision of WA race field information on a commercial basis through a contract or an arrangement with wagering service providers approved by the Minister;
- require the reasons to given for any refusal by the Minister to approve a wagering service provider to publish/use Western Australian race fields; and
- provide for the review of decisions by the Minister by the State Administrative Tribunal.

The Bill includes strong deterrent penalties for any wagering service provider that publishes Western Australian race field information without the proper authorisation and also for any person who provides race field information to an operator that is not authorised.

REGULATION OF SPORTS WAGERING

The Coalition of Major Professional Sports (COMPS), representing the Australian Rugby Union, Cricket Australia, Football Federation of Australia, National Rugby League, PGA Tour of Australia and Tennis Australia, approached the Victorian Government seeking legislative protection for major sports with regard to official wagering on sporting competitions.

COMPS approached the Victorian Government following amendments to legislation provided the Victorian racing industry with protection and rights over its own industry. The Victorian Government believes that COMPS has a reasonable argument for similar rights in relation to sports wagering that warrants further investigation.

As sports betting takes place across jurisdictional boundaries, the Victorian Government has invited all States and Territories to cooperate in developing a national response to some of the issues raised by COMPS.

Currently there are no legislative requirements for wagering service providers (TAB or bookmakers) to be authorised by controlling sport bodies, or to return any revenue from sports betting to the relevant controlling sports body.

Essentially the COMPS proposal will provide national sporting organisations with control over sports betting and the publication of sports data by ensuring that written agreements are in place between the controlling sports bodies and wagering service providers.

The Department for Racing, Gaming and Liquor has used the Victorian Sports Betting discussion paper as a basis for seeking comments from Western Australian stakeholders in order to assist in the formation of a national approach and to provide advice to the Western Australia Government on the future of sports betting regulation.

The intention of the consultation is to form a starting point for discussion about how the sports betting industry can be better regulated in order to:

- empower sports controlling bodies to determine what, if any, aspects of their competitions can be used for betting purposes;
- assure confidence in the integrity of the sporting events on which betting takes place; and
- return a portion of revenue from sports betting to the controlling body for that sport, to increase participation and development in that sport.

GOVERNMENT SUPPORT TO THE RACING INDUSTRY THROUGH GRANTS AND LOWER TAXES

One of the Labor Government's 2005 election commitments was the announcement of a \$42m boost for the Western Australia racing industry consisting of a reduction in the level of taxation and a change in the method of taxation from turnover to gross profit for off-course racing totalisator wagering.

It is proposed to set the rate of taxation at 21 per cent (equivalent to the casino tax paid on electronic gaming machine revenue – 20 per cent plus one per cent levy to Burswood Park Board), with effect from 1 July 2007. This will result in an additional \$12m being made available annually for distribution by RWWA.

The current taxation system inhibits RWWA's ability to explore new wagering products that are premised on offering lower commission deductions in order to stimulate wagering business. The change in taxation method will:

- provide RWWA with an incentive to be more innovative in its marketing strategies in order to maximise its revenue; and
- guarantee the racing industry an additional \$12m annually in profit from RWWA's off-course wagering operations that will be available for distribution amongst the three racing codes.

While it is intended to set the tax rate at 21 per cent of gross profit for off-course racing totalisator wagering, it is also proposed the tax rate be set net of GST. Following consultation with the Department of Treasury and Finance, the tax rate net of GST for off-course race totalisator wagering has been established at 11.91 per cent.

Only the off-course racing totalisator wagering tax rate will be set net of GST. Tax rates will remain unchanged on:

- off-course sports totalisator wagering (5 per cent of turnover); and
- fixed odds wagering (2 per cent and 0.5 per cent of turnover for racing and sports respectively).

REHABILITATION OF REGIONAL RACING

The Government has committed to spending \$25 million on regional racing infrastructure in 2005-06 and 2006-07, including capital grants of \$10m for each of the next two racing seasons.

This money will be directed towards racecourse rehabilitation, development of winter thoroughbred racing options, whole of industry initiatives and development of various regional clubs.

The grants will enable RWWA to plan and implement capital works programmes that are in urgent need at country and regional racing centres, including Albany, Bunbury, Northam, Kalgoorlie, Lark Hill, Pinjarra and a number of other country centres.

The broad funding outcomes to be achieved over the next three years are:

- rehabilitation of the major club venues;
- winter thoroughbred project or other option;
- racing initiatives; and
- other club grants.

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- winter thoroughbred project or other option;
- racing initiatives; and
- other club grants.

The racing grants and industry strategies were developed as an outcome of the racing industry economic review commissioned by RWWA and incorporated in 'A Plan to Get Back on Track'. It is a comprehensive strategy that underwrites the rehabilitation and upgrading of racecourse venues. The venues have been prioritised and will be provided assistance in developing and financing the projects that will underpin the ongoing viability of racing in Western Australia, with an immediate focus on country and regional projects.

WORKING WITH REMOTE COMMUNITIES TO REDUCE ALCOHOL RELATED HARM

Section 64 of the *Liquor Licensing Act 1988* empowers the Director of Liquor Licensing to impose conditions on liquor licences in order to, amongst other purposes, minimise harm or ill-health caused to people, or groups of people, due to the use of liquor.

Reviews of restrictions in 2005-06 have shown some benefits to specific communities, such as a decline in:

- crime rates (for example, assaults and burglaries, etc);
- hospitalisations; and
- attendances by drunken persons at sobering up shelters.

However, alcohol abuse remains a major problem, despite the imposition of restrictive conditions on liquor licences in other towns. Working with remote communities to reduce alcohol related harm is an on-going and significant issue for the Department.

MAJOR ACHIEVEMENTS FOR 2005-06

CONTRIBUTION TO THE DEVELOPMENT OF THE WA DRUG AND ALCOHOL STRATEGY

The Department of Racing, Gaming and Liquor has worked actively with the Drug and Alcohol Senior Officers Group, contributing to the development of the *WA Drug and Alcohol Strategy 2005-2009*.

The strategy builds on the past achievements of the *WA Drug and Alcohol Strategy 2002-2005* and highlights areas for future focus. The vision of the *WA Drug and Alcohol Strategy 2005-2009* is for Western Australians to value and lead healthy and safe lifestyles, with access to the best services and programs to prevent, reduce and delay alcohol and other drugs harm.

The Department of Racing, Gaming and Liquor has also participated in other initiatives that support the drug strategy, such as the development of the *Aboriginal Alcohol and Other Drugs Plan 2005-2009*, *Volatile Substance Use Plan 2005-2009*, *Agency Drug and Alcohol Action Plans 2005-2009* and *Alcohol Plan 2005-2009*.

REVIEW OF LIQUOR RESTRICTIONS

During 2005-06 the Director of Liquor Licensing undertook reviews of liquor restrictions imposed as a result of previous section 64 enquiries into alcohol-related harm in the following towns:

- Halls Creek;
- South Hedland and Port Hedland;
- Derby;
- Newman; and
- Mount Magnet.

AMENDMENTS TO BINGO RULES

The Department concluded a review into the operation of bingo in Western Australia and provided a report to the Gaming and Wagering Commission of Western Australia that recommend a number of amendments to the *Gaming and Wagering Commission Regulations 1989* to align bingo with changing community expectations.

While it is difficult to ascribe a particular reason for the decline, *ad hoc* information suggests that the older population attracted to bingo is not being replaced, which has resulted in the closure of many small and medium sized games. In more recent times the cost of transport (patrons are picked up by buses and transported to the venue) has added to the cost of conducting bingo and also contributed to its reduced profitability.

The Gaming and Wagering Commission has recommended to the Minister that he approves amendments to the *Gaming and Wagering Commission Regulations 1988* to:

- increase the number of games at a session of bingo from 30 to 32;
- increase the minimum gross turnover from \$1,500 to \$3,000 where all proceeds for the night may be paid in prizes;
- permit a trade promotion lottery to a maximum value of \$3,000 to be conducted in association with bingo;
- permit standard lottery tickets to be sold at a session of bingo; and
- permit a 'jackpot' prize to a maximum value of \$3,000 to be provided.

It is expected that these amendment regulations will be finalised early in the next reporting year.

CASINO EMPLOYEE LICENSING PROCESS STREAMLINED

A person seeking a licence under the *Casino Control (Burswood Island) (Licensing of Employees) Regulations 1985* ('the Licensing Regulations') must make application to the Chief Casino Officer.

Pending the final determination of the Gaming and Wagering Commission of Western Australia, the Chief Casino Officer may issue a provisional licence (which would be valid for up to three months and allow the licence holder to be employed by the Casino, pending the determination of the application) if, amongst other things, the applicant is not known to have been convicted of an offence punishable by imprisonment.

Advice from the State Solicitors Office confirmed that a report from the Commissioner of Police on the suitability of the applicant was required prior to the Chief Casino Officer issuing a provisional licence.

However, a review of the licensing process identified that provisional licences could be issued in a shorter period, on the basis of a 'Police Clearance Certificate', rather than a Police report.

Accordingly, in circumstances where there is a time delay in the Police providing a report, amendments to the Licensing Regulations enable a more timely licensing service by enabling the Chief Casino Officer to issue a provisional licence on the basis of a 'Police Clearance Certificate' provided by the applicant. The issue of a full licence remains on the basis of a report from the Commissioner of Police.

COUNTRY RACING VENUE IMPROVEMENTS

In fulfilment of the Government's 2001 election commitment to the development of the regional racing infrastructure, with the assistance of Racing and Wagering Western Australia, \$10.9m has been allocated for improvements at a number of country venues during the 2005-06 financial year.

In 2005-06 a total of 33 country race clubs have benefited from the approval of grants. Works undertaken have included:

- repairs to irrigation;
- new or refurbished starting barriers;
- reconstruction of tracks, float parking, rails and fencing;
- improvements to jockey and steward rooms;
- improved public viewing;
- new judge's towers;
- power to camera towers;
- redevelopment of tracks, lure systems; lighting, roads and parking;
- new and upgraded ablutions, canteens and administration blocks;
- new telephone systems;
- rehabilitation planning; and
- capital development plans.

APPROVAL OF NINTH SUPPLEMENTARY AGREEMENT

In November 2004 Burswood Nominees Limited, as Trustee for the Burswood Property Trust, requested revocation of the *Casino Control (Burswood Island Casino Complex) Order 1987* (the 1987 Order) to effect the re-incorporation of the Burswood Hotel and Tennis Court land into the Casino Complex and 'the Site', as defined (at the date of enactment) in the Agreement scheduled to the *Casino (Burswood Island) Agreement Act 1985*.

The Hotel and Tennis Court land had been excluded from the Casino Complex and 'the Site', by an Order under the *Casino Control Act 1984* in July 1987, to facilitate their sale to another party.

Subsequent to the issue of the 1987 Order, the terms of the sale of the Hotel changed, which led to Burswood retaining ownership of the Tennis Court land. In February 2003, Burswood subsequently re-acquired the Hotel.

The Ninth Supplementary Agreement came into effect on 2 May 2006:

- enabling the State to repeal the 1987 Order; and
- re-incorporating the land excluded from 'the Site' as a result of the 1987 Order.

RESTRUCTURE OF INSPECTORATE

The Department's Inspectorate has been restructured and inspectors are now allocated for approximately three months to each of the racing, gaming or liquor areas. This enables a group of inspectors to concentrate on the industry to which they are allocated. In turn, the industry is provided with a group of inspectors to whom they can refer their queries.

The restructure also provides for ease of rostering.

MAJOR INITIATIVES FOR 2006-07

REPEAL OF THE KALGOORLIE AND BOULDER RACING CLUBS ACT 1904

The *Racing, Wagering and Betting Legislation Amendment Bill 2006* is being drafted to repeal the *Kalgoorlie and Boulder Racing Clubs Act 1904* and *Kalgoorlie and Boulder Racing Clubs Act Amendment Act 1953*, subject to the:

- *Kalgoorlie-Boulder Racing Club* ('the KBRC') being incorporated prior to the complete repeal of the *Kalgoorlie and Boulder Racing Club Act 1904* and the *Kalgoorlie Boulder Racing Clubs Amendment Act 1953*;
- lands currently held in the name of the chairman of the KBRC, being vested in the KBRC upon its incorporation; and
- existing conditional tenure that the land be held only for the purposes of a racecourse being maintained.

CHANGES TO OFF-COURSE WAGERING TAXATION

The *Racing and Wagering Legislation Amendment Bill 2006* is being drafted to amend, with effect as from 1 July 2007:

- section 4 of the *Racing and Wagering Western Australia Tax Act 2003* to:
 - change the method of taxation for off-course racing totalisator wagering from turnover to gross profit; and
 - set the level of taxation for off-course racing totalisator wagering at 21 per cent (11.91 per cent net of GST) of gross profit; and
- section 102 of the *Racing and Wagering Western Australia Act 2003* to change the method of taxation for off-course racing totalisator wagering from turnover to gross profit.

It is anticipated that the Bill will be introduced during the 2006 Spring session of Parliament.

AMENDMENTS TO THE BETTING CONTROL ACT

On 21 June 2006, the *Betting and Racing Legislation Amendment Bill 2006*, was introduced into Parliament to prohibit the:

- establishment/operation and use of betting exchanges; and
- publication/use of Western Australian race fields without the appropriate approval.

The Bill amends the *Betting Control Act 1954* and *Racing and Wagering Western Australia Act 2003*.

With respect to the prohibition on betting exchanges, the Bill:

- will make it an offence for:
 - the establishment or operation of a betting exchange in Western Australia; and
 - a person in Western Australia to bet through a betting exchange.
- confirm the wagering operations of RWWA under the *Racing and Wagering Western Australia Act 2003*, and bookmakers licensed under the *Betting Control Act 1954*, do not constitute the establishment or operation of a betting exchange; and
- confirms a facility, electronic or otherwise, that enables persons to place bets only with a bookmaker or a totalisator (that is, licensed persons) is not considered a betting exchange.

In regard to the publication/use of Western Australian race fields, the Bill establishes a licensing framework that will:

- restrict the publication/use of Western Australian race fields to wagering services providers that have been approved by the Minister for Racing and Gaming (or delegate);
- require assessments of wagering service providers to be against a prescribed criteria (in this regard, the Minister will also consider a public interest test in relation to the integrity of the applicant and the integrity of the applicant's wagering activity. This way, questionable wagering practices (that is, betting to lose) will be subject to a public interest assessment).
- not give automatic right to wagering service providers who have obtained an approval from the Minister to publish/use WA race field information; instead, require through a condition of an approval that WA race fields must be obtained from RWWA (the controlling authority) under a commercial arrangement;
- permit RWWA to negotiate the provision of WA race field information on a commercial basis through a contract or an arrangement with wagering service providers approved by the Minister;

- require the reasons to be given for any refusal by the Minister to approve a wagering service provider to publish/use Western Australian race fields; and
- provide for the review of decisions by the Minister by the State Administrative Tribunal.

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- permit RWWA to negotiate the provision of WA race field information on a commercial basis through a contract or an arrangement with wagering service providers approved by the Minister;
- require the reasons to be given for any refusal by the Minister to approve a wagering service provider to publish/use Western Australian race fields; and

- provide for the review of decisions by the Minister by the State Administrative Tribunal.

The Bill includes strong deterrent penalties for any wagering service provider that publishes WA race field information without the proper authorisation and also for any person who provides race field information to an operator that is not authorised.

It is proposed to proclaim the Bill in two stages with the first stage consisting of the provisions relating to the prohibition on betting exchanges following Royal Assent. Once regulations have been prescribed regarding the criteria for approval to publish/use Western Australian race fields, those provisions will then be proclaimed. This is anticipated to occur during the later half of 2006.

COUNTRY CLUB INFRASTRUCTURE GRANTS SPENDING

As part of the Government's racing industry infrastructure grants program, approximately \$10.7 million is expected to be expended during the 2006-07 financial year.

ADMINISTRATION OF THE LIQUOR LICENSING ACT

To accommodate the changes expected to result from the proposed amendments to the *Liquor Licensing Act 1988*, the structure of the Department has been reviewed.

Currently, applications for liquor licences are determined by the Director of Liquor Licensing and reviews of the Director's decisions are heard *de novo* by the Judge of the Liquor Licensing Court. This is an overly legalistic and costly process that dissuades potential applicants due to both the difficulty of the process and the high legal costs involved. The Freemantle Review recommended the establishment of a less legalistic Liquor Commission that will operate in a much simpler and less costly manner.

The review of the structure will result in bringing together the resources required to deliver the desired outcomes of the Liquor Licensing Act. At present these resources are dispersed over a number of areas of the Department and, following the restructure, will be consolidated.

The new structure will strengthen the programs – licensing and compliance by providing additional support by way of knowledge and quality assurance. Additional resources will be provided to the compliance program to enable increased inspections and audits.

The new structure will also support the establishment of the proposed Liquor Commission in the provision of administrative and operational support.

CASINO REFURBISHMENT

During the reporting year the Casino Licensee advised the Gaming and Wagering Commission of its intention to undertake a major refurbishment and expansion of the casino by 2010. The refurbishment, which will incorporate additional bars and restaurants adjacent to the main gaming floor, will be undertaken in stages, with minimal disruption to the public.

The refurbishment, which is in line with the modern evolution of casino design incorporates a more integrated approach to restaurants, bars and entertainment facilities to complement gaming services and provide patrons with a more complete entertainment experience.

It is also in line with considerable capital works investment already undertaken over the past ten years, such as:

- the refurbishment in 2001 of non-gambling areas such as the Ruby Room and the Food Emporium were completed; and
- and the opening in September 2005 of the \$50 million, three-and-a-half star, Holiday Inn Hotel.

As part of the refurbishment, the Casino Licensee has sought approval to:

- establish a new International Gaming Facility (to be called the Pearl Room) in the Intercontinental Burswood Hotel, in the area previously occupied by Windows Restaurant; and
- refurbish the main gaming floor, which will see the merging of the existing International Room with the main gaming, following completion of the new International Gaming Facility.

The proposed refurbishment of the main gaming floor, with the addition of the new International Room, involves an increase in the casino's total licensed gaming area by approximately 30 per cent.

It is expected that the Gaming and Wagering Commission of Western Australia will finalise consideration of the application early in the next reporting year.

COLLABORATIVE LIQUOR AND GAMING INSPECTIONS

The Compliance Branch is in the process of developing a collaborative approach to the regulation of liquor and gaming matters with the Western Australian Police. This approach is proving to be very successful and it is anticipated that both agencies will continue to work together to provide a coordinated approach to the regulation of liquor and gaming.

The Compliance Branch has responsibility for all audits and inspections conducted by the Department. The Branch has increased the number of joint inspections of licensed premises with police officers. Managers and Inspectors are being encouraged to continue to develop a collaborative approach to the regulation of licensed premises and to share information in respect of common problems and issues where appropriate.

This approach has provided a range of benefits to both the Department and Police including improving and increasing knowledge of the relevant legislation, establishing effective networks and sharing of key information and intelligence.

DEVELOPMENT AND DELIVERY OF WEB-BASED LIQUOR LICENSING SYSTEM

The Department currently has two primary business systems - the Liquor Licensing System, developed approximately eight years ago and the Gaming Suite of applications, which was implemented approximately five years ago. The expected life cycle of systems in today's world of changing technology is approximately 10 years. As a result, these systems will not meet the future needs of the Department.

The 'Future Directions – 5 Year Plan' for the Department has recognised the need for the development and delivery of a single fully integrated customer centric system to deliver internal core business processes and customer integration such as:

- online application lodgement, and
- electronic document management,

with the capability to interface with other agencies using standardised protocols.

The system development is consistent with Office of E-Government policy and priorities.

In the development of this system, consultation has occurred with a number of other agencies which currently access this agencies data, e.g. Alcohol and Drug authority, Health Department, WA Police and the Department of Attorney General (Clerk of Courts). Discussion also occurred with other agencies that are developing systems or who have systems with licensing functionality. Where feasible, opportunities for collaboration have been identified.

Office of E-Government protocols for agency Web sites have been followed in the design of the Department's website.

TRANSFER OF IDENTIFIED CORPORATE SERVICES TO THE OFFICE OF SHARED SERVICES

The Department is well placed for roll-in to the Office of Shared Services ('OSS') and has requested the opportunity to roll-in as soon as possible. At this stage it is expected that roll-in will occur early 2007.

Preparation includes:

- data cleansing;
- review of policies and procedures to bring them into line with those of the OSS;

- training of staff in new roles and responsibilities;
- review of structure to reflect changes in service delivery; and
- establishment of steering committee to oversee preparation and implementation at agency level.

In addition:

- Representatives of the Department attend a number of working groups and committees including Heads of Corporate Services (HoCS) and HR Policy Sub Committee.
- The Department's Director General is Chair of the Client Management Council (Cluster B) and Chair of the Audit Committee.

SUMMARY OF FINANCIAL AND NON FINANCIAL INDICATORS (INCLUDING CHANGES FROM THE PREVIOUS YEAR)

As at 30 June 2006, the Department achieved a surplus of \$359,000. It was mainly due to the savings in the operating expenses, the increases in the Service Appropriations, and liquor fees revenue in the year 2005-06.

As compared to 2004-05 results, there was a decrease of \$253,000 in expenditure for Service 1 (Evaluation and Determination of Applications), mainly due to a change in the cost allocation percentage from Service 1 to Service 2 as a result of office restructure during the year. There was an increase of \$309,000 in the service expenditure for Service 2 (Compliance Audits and Inspections). Apart from the changes associated with the restructure, the increase was also attributable to the filling of vacant positions, and increase in the capital user charge.

Administered expenses for Gambling Tax Rebates and Capital Grants, and Liquor Subsidies for 2005-06 were \$87.54m and \$1.89m respectively. The Casino Tax Revenue was higher than the 2004-05 revenue (2006: \$59.16m, 2005: \$51.67m) (see page 5 for further information on changes to Casino Tax Revenue).

REPORT ON OPERATIONS

This part of the annual report provides the means by which Parliament and other interested parties can be informed, not only of what the Department has achieved during the financial year, but also of the reasons behind those achievements.

RESPONSIBLE MINISTER

The Minister responsible for the Racing and Gaming Portfolio is the Honourable Mark McGowan MLA, Minister for the Environment; Racing and Gaming.

MINISTERIAL DIRECTIVES

No Ministerial Directives were received during the financial year.

LEGISLATION

ENABLING LEGISLATION

The Department of Racing, Gaming and Liquor is established as a department under section 35 of the *Public Sector Management Act 1994*.

LEGISLATION ADMINISTERED

The Department of Racing, Gaming and Liquor, under delegation, is responsible for administering the following legislation:

- *Betting Control Act 1954;*
- *Bookmakers Betting Levy Act 1954;*
- *Casino (Burswood Island) Agreement Act 1985;*
- *Casino Control Act 1984;*
- *Gaming and Betting (Contracts and Securities) Act 1985;*
- *Gaming and Wagering Commission Act 1987;*
- *Gaming and Wagering Commission (Continuing Lotteries Levy) Act 2000;*
- *Kalgoorlie and Boulder Racing Clubs Act 1904;*
- *Kalgoorlie and Boulder Racing Clubs Amendment Act 1953;*
- *Liquor Licensing Act 1988;*
- *Racing and Wagering Western Australia Act 2003;*
- *Racing and Wagering Western Australia Tax Act 2003;*
- *Racing Penalties (Appeals) Act 1990;*
- *Racing Restriction Act 2003;*
- *Western Australian Trotting Association Act 1946;*
- *Western Australian Turf Club Act 1892; and*
- *Western Australian Turf Club (Property) Act 1944.*

LEGISLATION IMPACTING ON THE DEPARTMENT'S ACTIVITIES

In the performance of its functions, the Department of Racing, Gaming and Liquor complies with the following relevant written laws:

- *Corruption and Crime Commission Act 2003;*
- *Disability Services Act 1993;*
- *Electoral Act 1907;*
- *Equal Opportunity Act 1984;*
- *Electronic Transactions Act 2003;*
- *Financial Administration and Audit Act 1985;*
- *Freedom of Information Act 1992;*
- *Industrial Relations Act 1979;*
- *Minimum Conditions of Employment Act 1993;*
- *Occupational Safety and Health Act 1984;*
- *Occupiers' Liability Act 1985;*
- *Parliamentary Commissioner Act 1971;*
- *Public and Bank Holidays Act 1972;*
- *Public Interest Disclosure Act 2003;*
- *Public Sector Management Act 1994;*
- *Salaries and Allowances Act 1975;*
- *State Superannuation Act 2000;*
- *State Records Act 2000;*
- *State Supply Commission Act 1991;*and
- *Workers' Compensation and Injury Management Act 1981.*

In the financial administration of the Department of Racing, Gaming and Liquor, we have complied with the requirements of the *Financial Administration and Audit Act 1985*, and every other relevant written law, and exercised controls which provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing, we are not aware of any circumstances that would render the particulars included in this statement as misleading or inaccurate.



Barry A Sargeant
ACCOUNTABLE OFFICER

1 August 2006



Terry Ng
PRINCIPAL ACCOUNTING OFFICER

1 August 2006

CHANGES IN WRITTEN LAW

Changes to Acts

There were no changes to the Acts administered by the Department during the 2005-06 reporting year.

Changes to Regulations

Racing and Wagering Western Australia Amendment Regulations 2006

The *Racing and Wagering Western Australia Amendment Regulations 2006*, made under the *Racing and Wagering Western Australia Act 2003* amended the Regulations to:

- provide offence provisions relating to:
 - the acceptance of cheques not in accordance with the *Rules of Wagering or Racing and Wagering Regulations 2003* by RWWA agents or persons employed to assist in the operation of a totalisator agency; and
 - betting on duty in a totalisator;
- provide bet cancellation provisions;
- prohibit a person subject to a warning off notice from entering a totalisator agency; and
- clarify:
 - default bet operations under the RWWA Regulations;
 - declaration of dividends.

Betting Control Amendment Regulations (No .2) 2006

The *Betting Control Amendment Regulations (No. 2) 2006*, made under the *Betting Control Act 1954*:

- allow RWWA to increase the non-pooled commission deduction for win bets to 14.5 percent to be consistent with its combined pool commission deduction; and
- correct an anomaly in the annual licence fee for on-course totalisators.

Rules of Wagering Amendments Rules 2006

This amendment regulation came into effect on 7 April 2006 and corrects minor drafting errors in the inaugural *Rules of Wagering 2005*.

Betting Control Amendment Regulations (No. 2) 2005***Racing and Wagering Western Australia Amendment Regulations 2005******Racing Penalties (Appeals) Amendment Regulations 2005******Gaming and Wagering Commission Amendment Regulations 2005******Casino Control (Burswood Island) (Licensing of Employees) Amendment Regulations (No. 2) 2005******Casino Control Amendment Regulations 2005******Liquor Licensing Amendment Regulations (No. 3) 2005***

These amendment regulations came into effect on 1 January 2006 and increased prescribed fees and charges (following a review in accordance with the provisions of section 55(b) of the *Financial Administration and Audit Act 1985*).

Liquor Licensing Amendment Regulations 2006

The *Liquor Licensing Amendment Regulations 2006*, made under the *Liquor Licensing Act 1988*, came into effect on 14 February 2006 and provides for a premises to which a casino liquor licence relates to be a prescribed type or class of premises for the purposes of section 77(5a) of the Act.

Liquor Licensing Amendment Regulations (No. 2) 2005

The *Liquor Licensing Amendment Regulations (No. 2) 2005*, made under the *Liquor Licensing Act 1988*, came into effect on 19 August 2005 and prescribed the Great Southern TAFE colleges of Albany, Denmark and Mount Barker as exempt from the sale or supply of liquor during a 'special event', where that liquor is produced as part of an approved viticulture course.

Casino Control (Burswood Island) (Licensing of Employees) Amendment Regulations (No. 3) 2005

The *Casino Control (Burswood Island) (Licensing of Employees) Amendment Regulations (No.3) 2005*, made under the *Casino Control Act 1984*, came into effect on 14 October 2005 and provides for the electronic processing of casino employee licence applications by the Department of Racing, Gaming and Liquor.

MISSION

The mission statement of the Department of Racing, Gaming and Liquor is:

To promote and maintain the integrity of lawful gambling and liquor activities through the licensing and regulation of suppliers, within community expectations on harm minimisation.

OBJECTIVES AND AGENCY LEVEL GOVERNMENT DESIRED OUTCOMES

The following table demonstrates the linkage between the Government’s strategic objectives and the desired outcomes and outputs for the Department:

Government Strategic Goals	Desired Outcomes	Services
To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.	To promote and enforce responsible and lawful gambling and liquor services in accordance with the legislation.	1. Licensing – Evaluation and determination of applications. 2. Compliance audits and inspections.

For the desired outcomes to be achieved, the Department provides licensing and inspectorial services in respect of the liquor and gambling industries. Where the regulation of gambling activities is concerned, the Gaming and Wagering Commission of Western Australia does not employ staff in its own right, but contracts these services through a cost recovery arrangement with the Department of Racing, Gaming and Liquor, which provides licensing, inspectorial and executive support services for the Commission.

In addition to licensing liquor merchants in Western Australia, the Department, through a Service Delivery Agreement with the Commonwealth Department of Transport and Regional Services, also provides liquor licensing services for the Indian Ocean Territories of Christmas and Cocos Islands.

The Department’s services are available to all Western Australians, regardless of where they reside. For example:

- the Department provides a free 1800 telephone number for use by country callers to minimise costs associated with contacting the Department by telephone;
- application forms, kits and other information is available for viewing and downloading from the Department’s website;

- people living in regional areas are able to make application for the grant of occasional liquor licences and one-off extended trading permits at local court houses, through an arrangement between the Department of Racing, Gaming and Liquor and the Department of Justice;
- the Director of Liquor Licensing continues to work effectively with regional communities, where members of the community seek his assistance in addressing alcohol related harm within the community (see page 7); and
- the Department's inspectorial program extends to regional areas.

ADMINISTRATIVE STRUCTURE OF THE DEPARTMENT

NAMES AND RESPONSIBILITIES OF SENIOR OFFICERS

Mr Barry A Sargeant M Com FCPA

Director General

As at 30 June 2006, Mr Sargeant was the Accountable Officer for the Department of Racing, Gaming and Liquor, a position he has held since 1992. As Director General, Mr Sargeant is the administrative head and accountable officer for the operations of the Department of Racing, Gaming and Liquor. Mr Sargeant is also the employing authority for all staff.

Mr Sargeant also holds office as Chairman of the Gaming and Wagering Commission of Western Australia in an *ex officio* capacity.

Mr David Halge MBA

Director Operations

Mr Halge has over 30 years experience in public sector management, of which the last 18 years has been at a senior level in the regulation of the gaming industry. As Director Operations, Mr Halge is responsible for the overall management of the Operations Division, which has primary responsibility for the provision of inspection, investigation, licensing and audit/risk assessment functions.

Ms Dorothy McLauchlin

Director Corporate Services

Ms McLauchlin has extensive experience in senior human resource and corporate management roles in the private, tertiary education and government sectors. As Director Corporate Services, Ms McLauchlin is responsible for the overall management of the Corporate Services Division, which has primary responsibility for the provision of financial, human resource, information technology, information management, strategic planning, policy development and executive support services.

Mr Peter Minchin
Director of Liquor Licensing

Mr Minchin has over 20 years experience in the public sector, with the last 12 years as a senior manager with the Department of Racing, Gaming and Liquor. As the Director of Liquor Licensing, Mr Minchin is responsible for performing the statutory functions and exercising statutory powers as prescribed by the *Liquor Licensing Act 1988*.

Mr Michael Connolly B Sc, B Bus
Manager Inspections

Mr Connolly has 22 years experience in the public sector, including the last 16 years in various regulatory roles within the Department. In addition to his experience he holds the Bachelor Degree qualifications of B Sc (Security) and B Bus (Accounting). As Manager Inspections, Mr Connolly is responsible for the conduct of inspection programs associated with the racing, gaming and liquor industries and in determining the compliance levels of those industries with the requirements of legislation

Mr Eric Romato
Acting Manager Licensing

Mr Romato has over 30 years experience in the public sector, with the last 10 years in senior management roles with the Department of Racing, Gaming and Liquor.

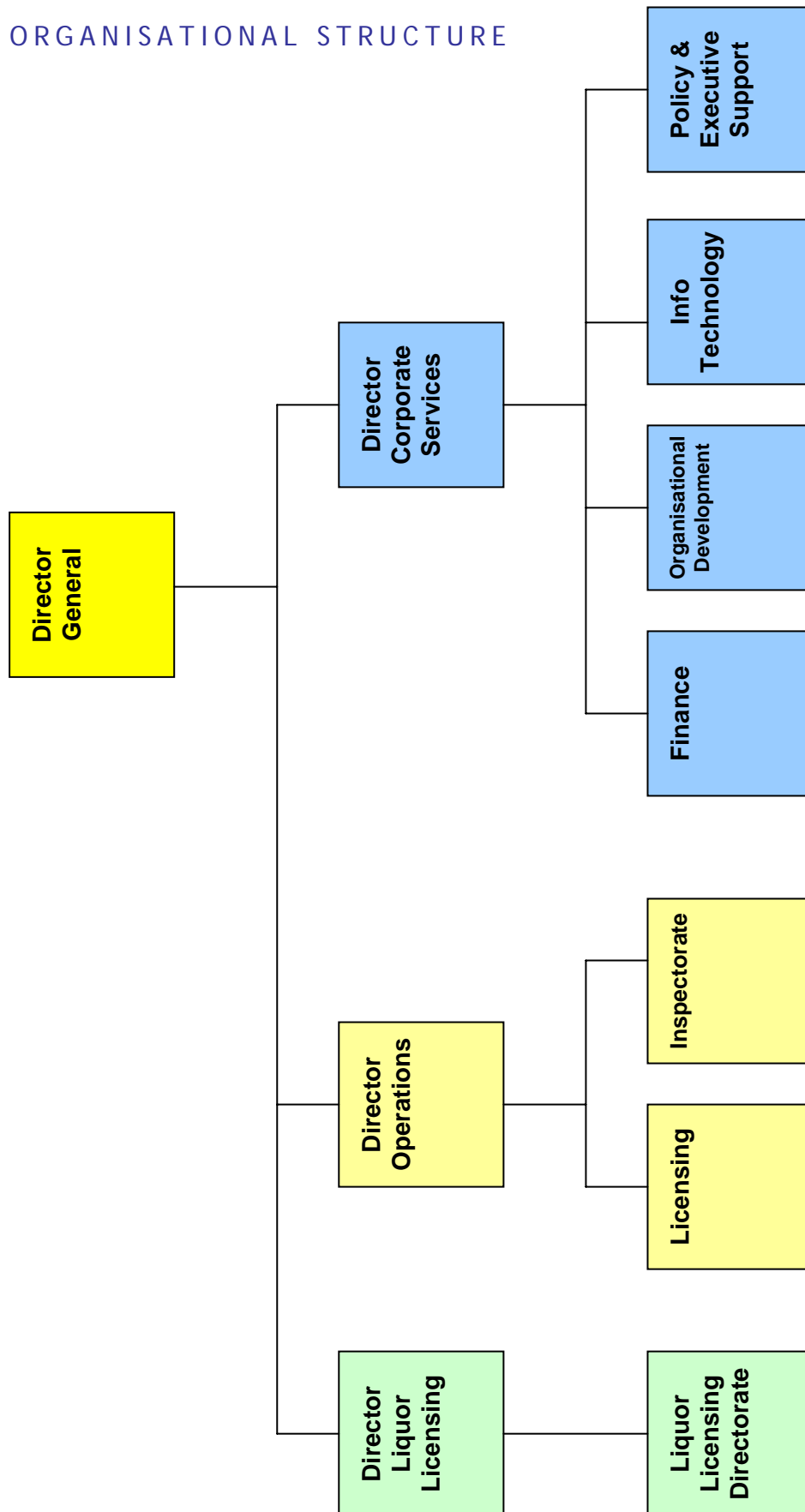
Ms Janine Belling BA
Acting Manager Policy & Executive Support

Ms Belling has 18 years experience in the public sector with both State and Commonwealth governments, including the last six years as a senior manager with the Department of Racing, Gaming and Liquor. As acting Manager Policy and Executive Support, Ms Belling is responsible for the management of the Policy and Executive Support team, which has primary responsibility for providing research, policy, legislative services and reviews, and executive support services.

DECLARATION OF INTERESTS BY SENIOR OFFICERS

At the date of reporting, other than normal contracts of employment, no Senior Officers, or firms of which Senior Officers are members, or entities in which Senior Officers have substantial interest had any interests in existing or proposed contracts with the Department and Senior Officers.

ORGANISATIONAL STRUCTURE



SERVICES OFFERED BY THE DEPARTMENT OF RACING, GAMING AND LIQUOR

SERVICE 1: LICENSING - EVALUATION AND DETERMINATION OF APPLICATIONS

The Department receives, processes and determines applications in accordance with the legislation it administers under delegation.

In this respect, decisions made by the Director of Liquor Licensing and by the Gaming and Wagering Commission of Western Australia are relevant to Service 1.

Additional services offered include:

- executive support to the Gaming and Wagering Commission of Western Australia (for further information on the Gaming and Wagering Commission of Western Australia, refer to the 2005-06 Annual Report of the Gaming and Wagering Commission of Western Australia);
- administering the funds of the Gaming Community Trust, a body established pursuant to section 109D of the *Gaming and Wagering Commission Act 1987* to give advice and make recommendations to the Minister, on its own initiative or at the request of the Minister, on the application of moneys standing to the credit of the Trust Fund for the benefit of the community (for further information on the activities of the Gaming Community Trust, refer to the 2005-06 Annual Report of the Gaming and Wagering Commission of Western Australia);
- executive support to the Problem Gambling Support Services Committee, which is comprised of representatives from the gambling industry and government to address the social and economic issues that result from problem gambling in Western Australia (for further information on the activities of the Problem Gambling Support Services Committee, refer to the 2005-06 Annual Report of the Gaming and Wagering Commission of Western Australia); and
- executive support for the Racing Penalties (Appeal) Tribunal in the form of a registry service, where the Registrar accepts Notices of Appeal, arranges the listing and hearing of matters before the Tribunal, acts as the Tribunal's bench clerk during hearings and maintains a comprehensive index of all matters heard by the Tribunal (for further information on the activities of the Racing Penalties (Appeal) Tribunal, refer to the 2005-06 Annual Report of the Racing Penalties (Appeal) Tribunal).

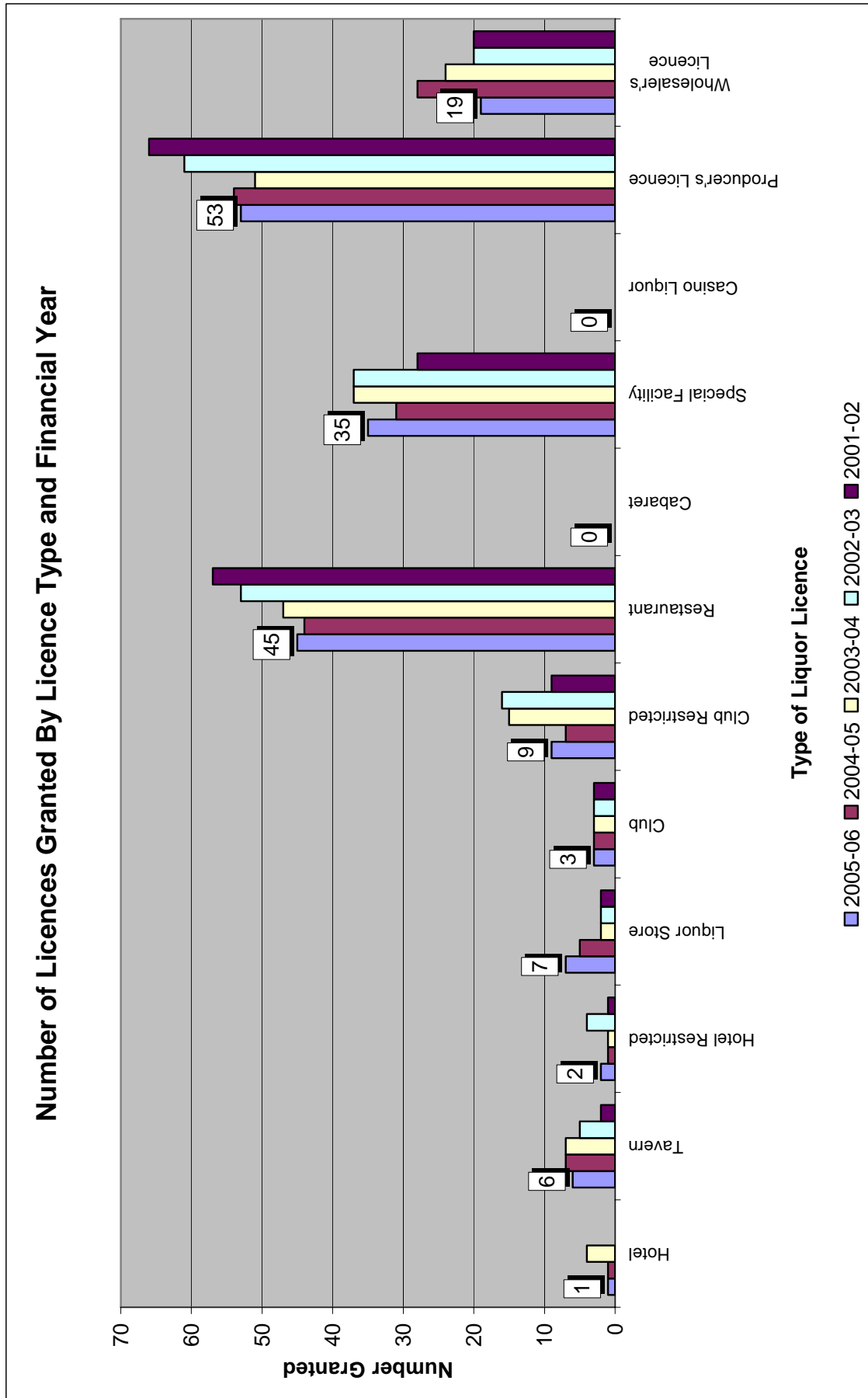


Figure 1: Number of licence granted by licence type as at 30 June 2006 (with comparative figures for previous years).

Licences and Permits issued under the Liquor Licensing Act

During 2005-06, the Director of Liquor Licensing and delegates acting on the Director's behalf, granted:

- 3,886 occasional licences;
- 1,578 one-off extended trading permits; and
- 180 new liquor licences, consisting of:
 - 1 hotel licence;
 - 6 tavern licences;
 - 2 hotel restricted licences;
 - 7 liquor store licences;
 - 3 club licences;
 - 9 club restricted licences;
 - 45 restaurant licences;
 - 35 special facility licences;
 - 53 producer's licences; and
 - 19 wholesaler's licences.

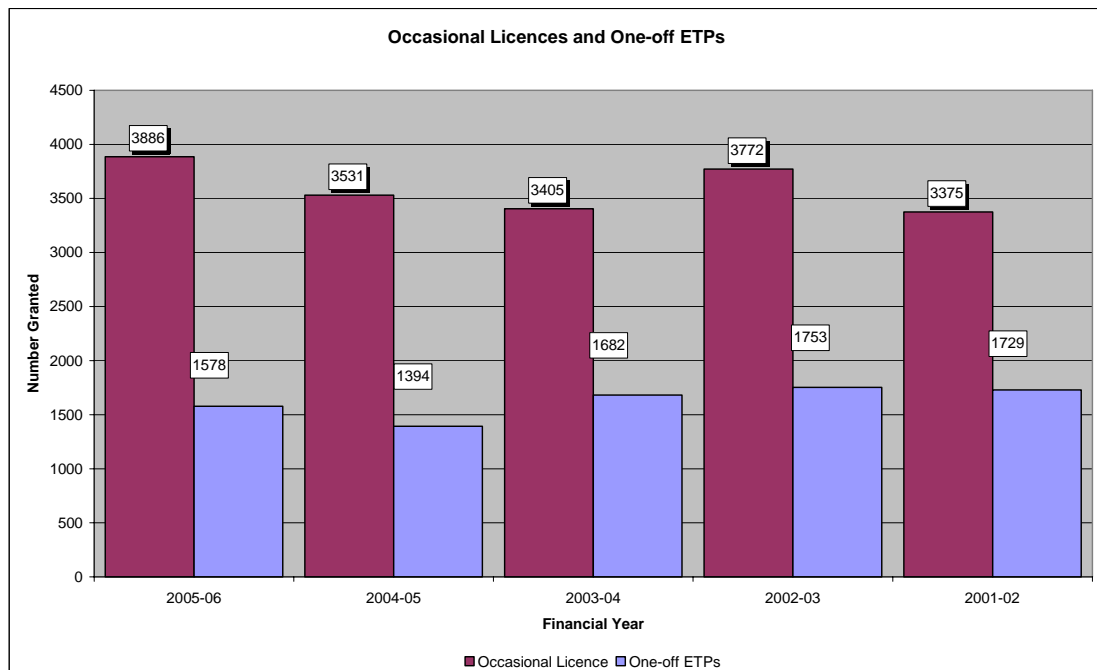


Figure 2: Number of Occasional Licences and Extended Trading Permits granted as at 30 June 2006 (and comparative numbers for previous years). These figures represent applications lodged, but not necessarily determined during the year under review.

Liquor Licensing Directorate

The *Liquor Licensing Act 1988* provides the legislative framework for the liquor licensing authority, which is comprised of the Liquor Licensing Court and the Director of Liquor Licensing, to regulate the sale, supply and consumption of liquor, the use of premises on which liquor is sold, and the services and facilities provided in conjunction with the sale of liquor. One of the primary objects of the *Liquor Licensing Act 1988* is to minimise harm or ill-health caused to people, or any group of people, due to the use of liquor.

Pursuant to section 13 of the *Liquor Licensing Act 1988*, the Director of Liquor Licensing is responsible for the administration of the Act (other than those aspects of administration that relate to the Liquor Licensing Court) to the Director General of the Department of Racing, Gaming and Liquor.

In addition to hearing and determining liquor licensing applications, the Director of Liquor Licensing is also empowered under other sections of the Act to undertake specific actions.

To assist the Director, a Liquor Licensing Directorate is established within the Department of Racing, Gaming and Liquor, to:

- determine applications in accordance with the provisions of the Liquor Licensing Act;
- monitor the standards of licensed premises;
- ensure compliance with the requirements of the Liquor Licensing Act;
- facilitate various Liquor Accords and Community Alcohol Agreements;
- develop and implement policy consistent with Government objectives;
- provide policy advice;
- negotiate and liaise with industry groups on high level matters, such as Accords, Industry Training, etc.;
- consider section 117 complaints and be responsive to such complaints; and
- expeditiously determine any other matters arising from the administration of the Liquor Licensing Act.

Significant Liquor Licensing Decisions

Decision of the Supreme Court of Western Australia

Application for Removal of a Tavern Licence – The Mustang Bar, Fremantle, 16 February 2006

This case was appealing a Liquor Licensing Court decision to refuse an application to remove a liquor licence from one address and allow it to operate at another location, approximately 400m away.

The initial application was objected to by the City of Fremantle and 27 residential objectors, and refused on the basis that the removal was likely to cause undue offence, annoyance, disturbance or inconvenience by intoxicated persons in the vicinity of the new location, beyond what nearby residents should reasonably be expected to tolerate.

In its decision, Highmoon Pty Ltd – v – City of Fremantle & Ors [2006], the Supreme Court considered 16 grounds of appeal, which were all dismissed on the basis that they did not involve any question of law.

Liquor Licensing Court Decisions

Cancellation of Licence – Colliefields Hotel, Collie, 5 May 2006

The Liquor Licensing Court cancelled liquor licence number 6010010025 held by Morcodian Pty Ltd for the Colliefields Hotel.

The matter was referred by the Director of Liquor Licensing for hearing and determination by the Court pursuant to section 24 of the *Liquor Licensing Act 1988*.

Application for the grant of an Extended Trading Permit – Subi Cleanskins, 7 December 2004

The Liquor Licensing Court granted a liquor store licence to Doinwell Investments Pty Ltd for premises situated at the Crossways Shopping Centre, Subiaco, only authorising the sale of cleanskin wines.

A concurrent application for an extended trading permit, authorising the applicant to trade on Sundays was adjourned.

At the resumption of the hearing into the extended trading permit on 1 July 2005, the Executive Director Public Health introduced evidence in relation to harm or ill-health caused to people, or any group of people, due to the use of liquor.

A decision, *Re Subi Cleanskins; Doinwell Investments Pty Ltd – v – Executive Director Public Health [2005] WALLC 15*, granting the permit was handed down on 1 November 2005.

*Decisions of the Director of Liquor Licensing*Application for the Grant of a Liquor Store Licence - Claremont Cleanskins, 13 June 2006

An application was lodged by Kartika Holdings Pty Ltd for the conditional grant of a liquor store licence and an extended trading permit for a specialist cleanskin store to be situated in Claremont.

The application was objected to by the Liquor Stores Association of WA (Inc) and a number of local licensees. A Notice of Intervention was also lodged by the Executive Director of Public Health and the matter was adjourned.

During a three-day hearing held in February 2006, the applicant presented evidence to establish its background and experience in the industry, and an overview of its related operations at Subi Cleanskins and proposed business format in Claremont.

The objectors also had the opportunity to outline their case in opposition to the granting of a licence, but the Director found that the applicant had satisfied the stricter test under section 38(2b)(a) of the Act and that the objectors failed to establish their grounds of objection, which resulted in a liquor store licence being conditionally granted.

The objectors subsequently applied to the Liquor Licensing Court for a review of the Director's decision.

Refusal of Application for the Grant of an Extended Trading Permit – Paddington Alehouse, 8 May 2006

Alfon Pty Ltd, the licensee of premises known as the Paddington Alehouse located at 141 Scarborough Beach Road, Mount Hawthorn, applied for an extended trading permit to trade on Friday and Saturday nights up until 1 a.m.

Twelve objections were lodged by residents, or local business operators within the vicinity of the hotel, together with a petition containing 70 resident signatures opposing the grant of the application. The Executive Director of Public Health lodged a Notice of Intervention and the Town of Vincent lodged written notice of opposition.

In considering the merits of this particular application, the Director found that the evidence presented by the applicant fell well short of demonstrating that the grant of the application was in the public interest, particularly in light of the matters raised by the objectors and intervenor.

The Director also decided that greater weight should be given to the concerns of the local residents and the negative impact that the existing operation of these premises appears to be having on the amenity of the local neighbourhood.

Accordingly, pursuant to the discretion afforded under section 33(1) of the Act, the application was refused.

Suspension of Licence – Victoria Hotel, Roebourne, 22 June 2006

The Director of Liquor Licensing suspended liquor licence number 6010016162 held by Temregal Pty Ltd for the Victoria Hotel following a report from WA Police advising that the licensee handed control of part of the licensed premises to a caterer and a mining contractor for the purposes of operating a mining camp for contract mine workers.

Subsequent inquiries confirmed that the licensee had lost possession and control of part of the licensed premises consisting of 50 motel units, the Poinciana Bar and dining room.

An executed, but undated lease agreement, between the licensee and the caterer, further evidenced that the licensee had lost possession and control of the whole of the licensed premises.

The licensee's solicitors then confirmed that their client no longer had exclusive possession of the licensed premises.

Pursuant to section 92(a) of the Act, the operation of the hotel licence in respect of the premises known as the Victoria Hotel Roebourne was suspended.

Section 64 Inquiries

Section 64 of the *Liquor Licensing Act 1988* provides that, in relation to any licence, or to any permit, the licensing authority may, at its discretion, impose conditions in addition to the conditions specifically imposed by the Act, or in such a manner as to make more restrictive a condition specifically imposed by the Act.

In the year under review, a total of twelve section 64 inquiries were conducted by the licensing authority in relation to alcohol related harm and suspected breaches of the Act by licensees. There were six new inquiries, two of which were resolved between police and licensee. Six reviews of existing liquor restrictions in the North West of Western Australia were also undertaken during the 2005-06 year.

Section 64 Inquiry – Subiaco Oval, 31 August 2005

The Director of Liquor Licensing wrote to the licensee of Subiaco Oval, advising that, as a consequence of media reports concerning alleged anti-social behaviour in and around Subiaco Oval at sporting events, it was proposed to conduct an inquiry under section 64 of the *Liquor Licensing Act 1988*.

In addition to the licensee, the WA Police, City of Subiaco and the West Australian Football Commission were invited to participate in the inquiry.

Written submissions were received from all parties including the licensee, the WA Police, City of Subiaco and the West Australian Football Commission.

A subsequent meeting of the parties determined the existing conditions of the licence were inadequate for a multi-faceted stadium such as Subiaco Oval, and that there was sufficient common ground for the inquiry to proceed with a series of conciliatory meetings with a view of preparing a new set of trading conditions for the venue. Further meetings developed a new set of trading conditions for the venue.

These new conditions reinforce the licensee's obligations under the Act and provide greater emphasis on the responsible service of alcohol and improved crowd management.

Section 95 Complaints

The Act provides that the Court may, on receipt of a complaint lodged under section 95, take disciplinary action. Such a complaint must allege that proper cause for disciplinary action exists as well as clearly identifying the grounds on which the allegations are based.

Section 95(4) prescribes the grounds upon which there is proper cause for disciplinary action and subsection (5) prescribes the persons who may make those complaints. Under this subsection, the Director of Liquor Licensing is able to make a section 95 complaint on any ground listed in section 95(4).

During 2005-2006, the Director lodged six section 95 complaints with the Liquor Licensing Court.

Section 117 Complaints

Section 117 of the Act provides for complaints to be made to the Director of Liquor Licensing about noise or behaviour related to licensed premises. During the year under review, 21 section 117 complaints were either heard by the Director of Liquor Licensing or conciliated by staff acting on the Director's behalf.

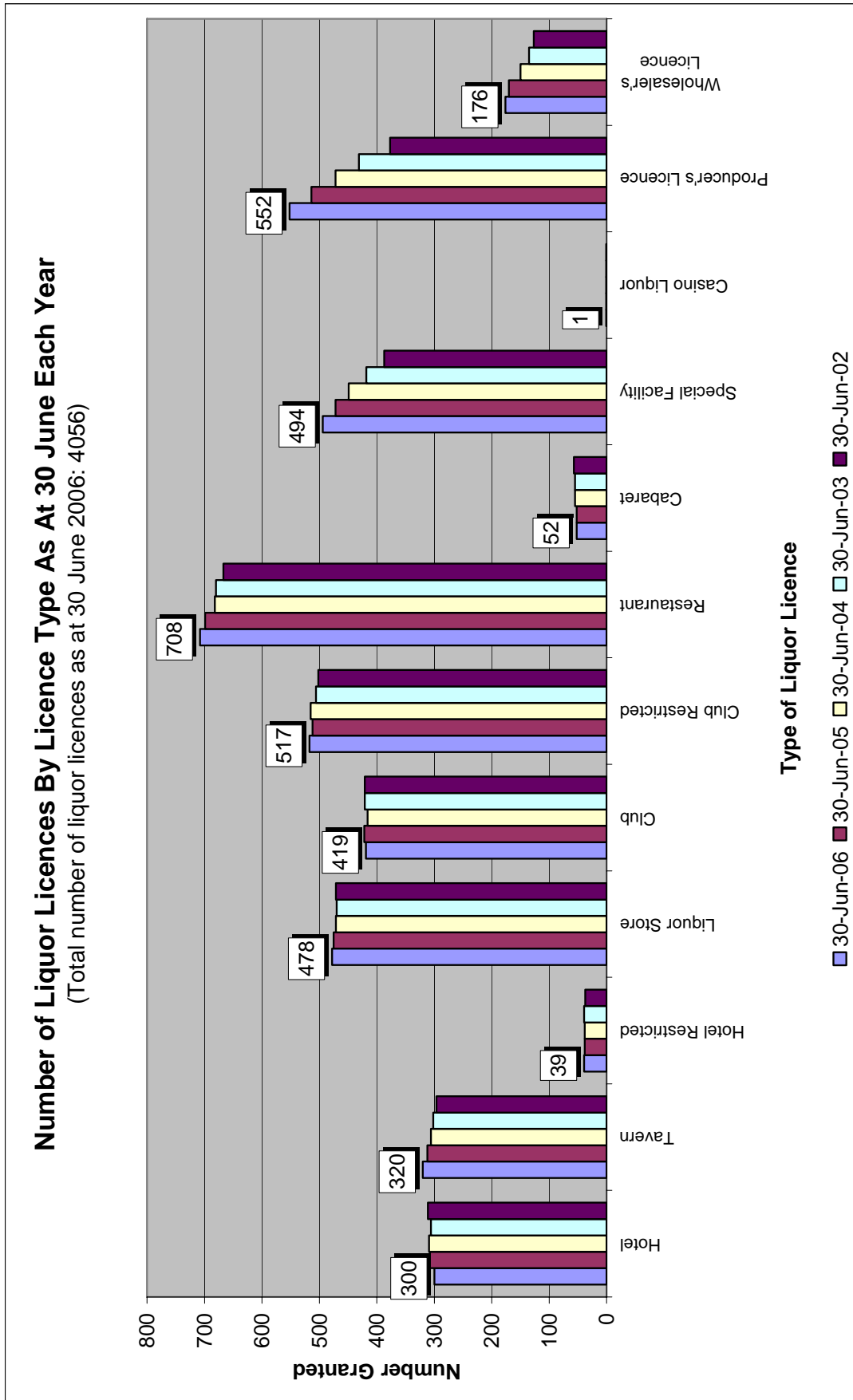


Figure 3: Number of Liquor Licences as at 30 June 2006 (and comparative figures for previous years).

New Policy

During the year under review, the Director of Liquor Licensing released a new policy entitled *Guidelines for Licensee Seeking To Establish 'Break Out Areas'*, which became effective on 22 July 2005. The policy provides guidelines to assist licensees in establishing 'breakout areas' for smokers, as a result of changes to the *Health (Smoking in Enclosed Public Places) Regulations*. A 'breakout area' is a small area, which will form part of the licensed premises, where smokers may temporarily smoke and consume liquor.

Depending upon individual circumstances, licensees will need to lodge either an application for alteration/redefinition of their premises (section 77) or an extended trading permit (section 60(4)(h)).

Contribution to the Development of Alcohol Related Crime Data Mapping Project

The Department of Racing, Gaming and Liquor has worked actively with the Office of Crime Prevention, the WA Police, and the Drug and Alcohol Office, contributing to the development of a mechanism to map alcohol-related crime in Western Australia.

This collaborative project aims to map alcohol-related incidents and harms within and around licensed drinking environments in the trial areas of Northbridge and Fremantle. It is intended that data will then be used to develop and implement targeted operational policing responses, along with other evidence-based interventions, with the aim of reducing the numbers of alcohol-related incidents in the named locations.

Contribution to the Northbridge Noise Management Working Group

The Department of Racing, Gaming and Liquor is working with the Department of Planning and Infrastructure and other key agencies, contributing to the development of an integrated cross-agency approach to identify noise management strategies in Northbridge.

The Northbridge Noise Management Working Group is investigating various options to resolve ongoing conflict between the continued operation of Northbridge as one of the Perth's premier entertainment and tourist destinations, and the need to provide acceptable levels of residential amenity to the increasing number of residents moving into the area.

Contribution to the State School Leavers Strategy

In July 2005, the Government released a five-point school leavers plan that provides:

- a focus on rights and responsibilities;
- improved safety through robust policing and harm minimisation;
- active support to regional communities to manage visiting school leavers;
- better co-ordination between Government and non-Government agencies; and
- research into improved ways to manage large groups of young people.

(continued on page 41)

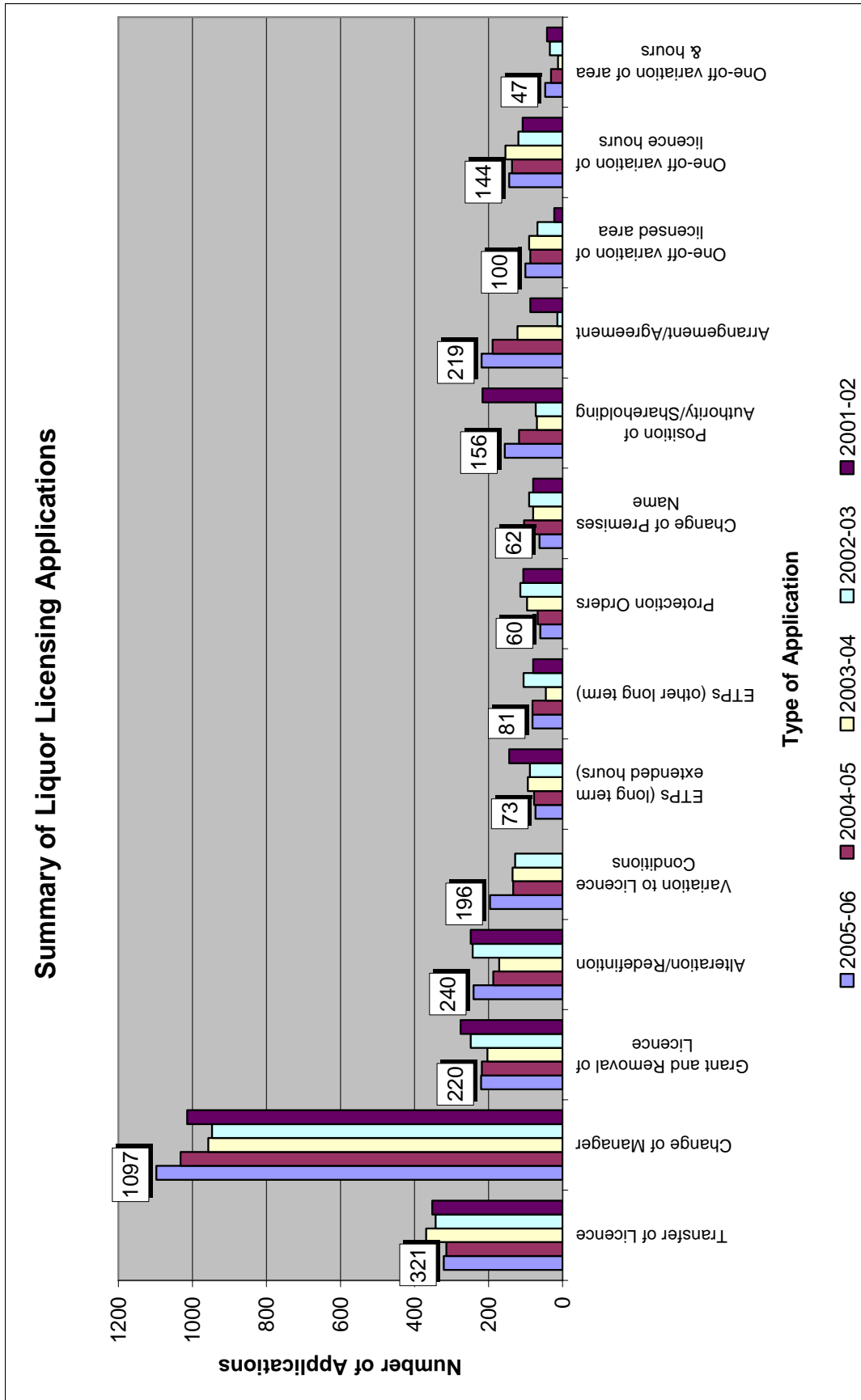


Figure 4: Comparison of the number of liquor licensing applications lodged as at 30 June 2006 (and comparative numbers for previous years). These figures represent applications lodged, but not necessarily determined during the year under review.

(continued from page 39)

In support of that plan, the Department of Racing, Gaming and Liquor has worked with the Office of Crime Prevention and other key government and non-government agencies, in developing strategies to manage school leavers' celebrations throughout the State. These strategies aim to provide communities with the support, resources and advice to improve safety and better manage school leaver festivities.

The strategies also include a 'safe partying' education program for schools; a commitment to robust police presence in key locations; and the provision of appropriate health and first aid support during leavers' celebrations.

Licences and Permits issued under the Casino Control Act, Gaming and Wagering Commission Act, Betting Control Act and Racing and Wagering Western Australia Act

As delegates of the Gaming and Wagering Commission of Western Australia, staff of the Department's Licensing Branch issued 2,413 gaming permits, which resulted in the raising of a total amount of \$49,246,253, of which \$14,779,015 was returned to the community for the active promotion, support or conduct of sporting, social, political, literary, artistic, scientific, benevolent, charitable or other like activity.

Licences and permits are issued to enable:

- community and sporting clubs to raise funds through the conduct of community gaming;
- persons to work in licensed positions at the Burswood International Resort Casino;
- persons to work in licensed positions at Racing and Wagering Western Australia; and
- bookmaker operations.

Licensing of Gaming Operators

Persons who assist in the conduct of community gaming for reward are required to be the holder of a Gaming Operator's Certificate. The integrity of gaming operators is paramount to the integrity of community gaming activities. Applicants for a Gaming Operator's Certificate must satisfy a probity investigation in addition to demonstrating the required skills needed for working in the gaming industry.

Video Lottery Terminals

Video Lottery Terminals ('VLTs') are electronic representations of hand-held Continuing Lottery Tickets (also known as break-open bingo or beer tickets). Permits are issued to sporting, charitable and community organisations for the purpose of fundraising. A minimum of 10 per cent of gross proceeds must be returned to the beneficiary organisation, with 70 per cent paid in prizes, one per cent to the Gaming and Wagering Commission and 2.25 per cent to the Consolidated Fund. The supplier and the licensee of the venue share the balance.

VLTs can only be obtained from suppliers of gaming equipment licensed by the Gaming and Wagering Commission.

The operator must, on presentation of a winning ticket by a player:

- pay the amount stipulated on the winning ticket by either cash or cheque;
- winnings cannot be converted into credits;
- advertising, other than that on the premises in which the machine is located, is not permitted.

Other than the supplier of the machine and staff acting on behalf of the Gaming and Wagering Commission, only the licensee, or the approved manager of the licensed premises is authorised to open the VLT to empty the cash box and change the ticket role.

The number of VLT permits issued during 2005-06 was 453, compared to 473 for 2004-05. VLT turnover for 2005-06 was \$11.5 million, compared to \$11.9 million for the previous year.

Changes implemented during 2005-06

Video Lottery Terminals are permitted to operate four series of tickets at any one time. Following representation from the industry during 2005-06, the Commission determined:

- not to limit the value of the top prize; and
- to approve that the top prize for a single series may be determined by the operator,

on the basis that the total percentage of prizes issued from that series is 70 per cent of the gross value of the tickets.

Poker Tournaments

Texas Hold' Em poker has become very popular in the community and is being played by a number of clubs who conduct poker tournaments on a regular basis. Poker tournaments are conducted under the authority of a permit issued pursuant to the *Gaming and Wagering Commission Act 1987* to charitable, sporting and other community based not-for-profit organisations. A tournament may be conducted for a maximum of six hours on any night and a financial return is required to be submitted to the Department, following its completion.

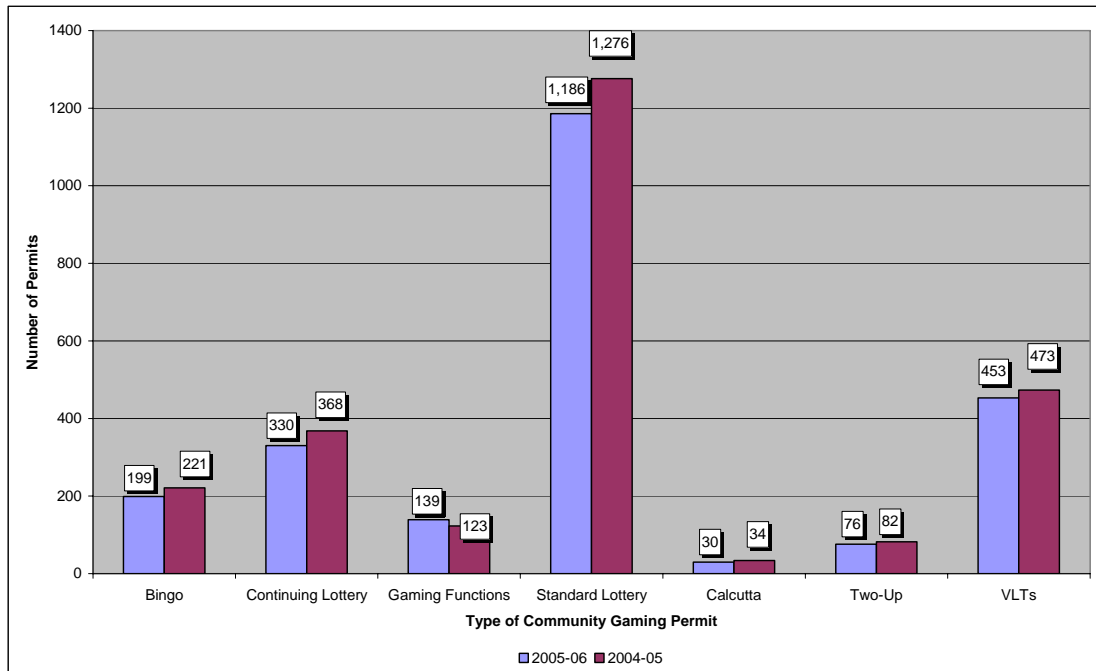


Figure 5: Number of Community Gaming Permits as at 30 June 2006 (and comparative figures for the previous year).

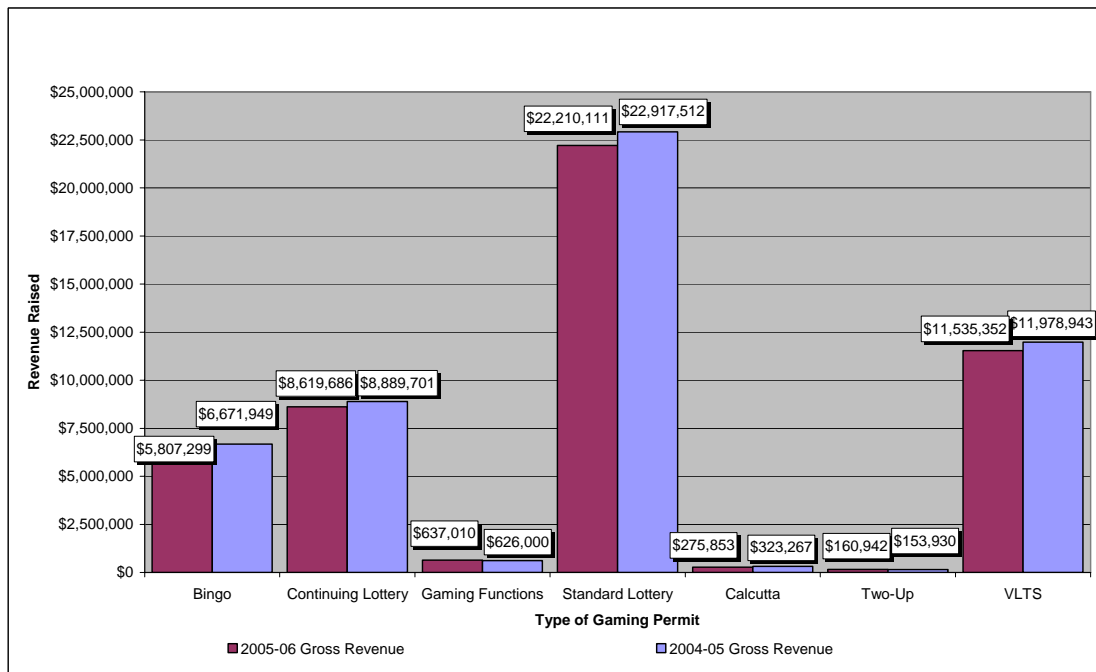


Figure 6: Comparison of gross revenue raised by type of Community Gaming Permit as at 30 June 2006 (including comparative figures for the previous year).

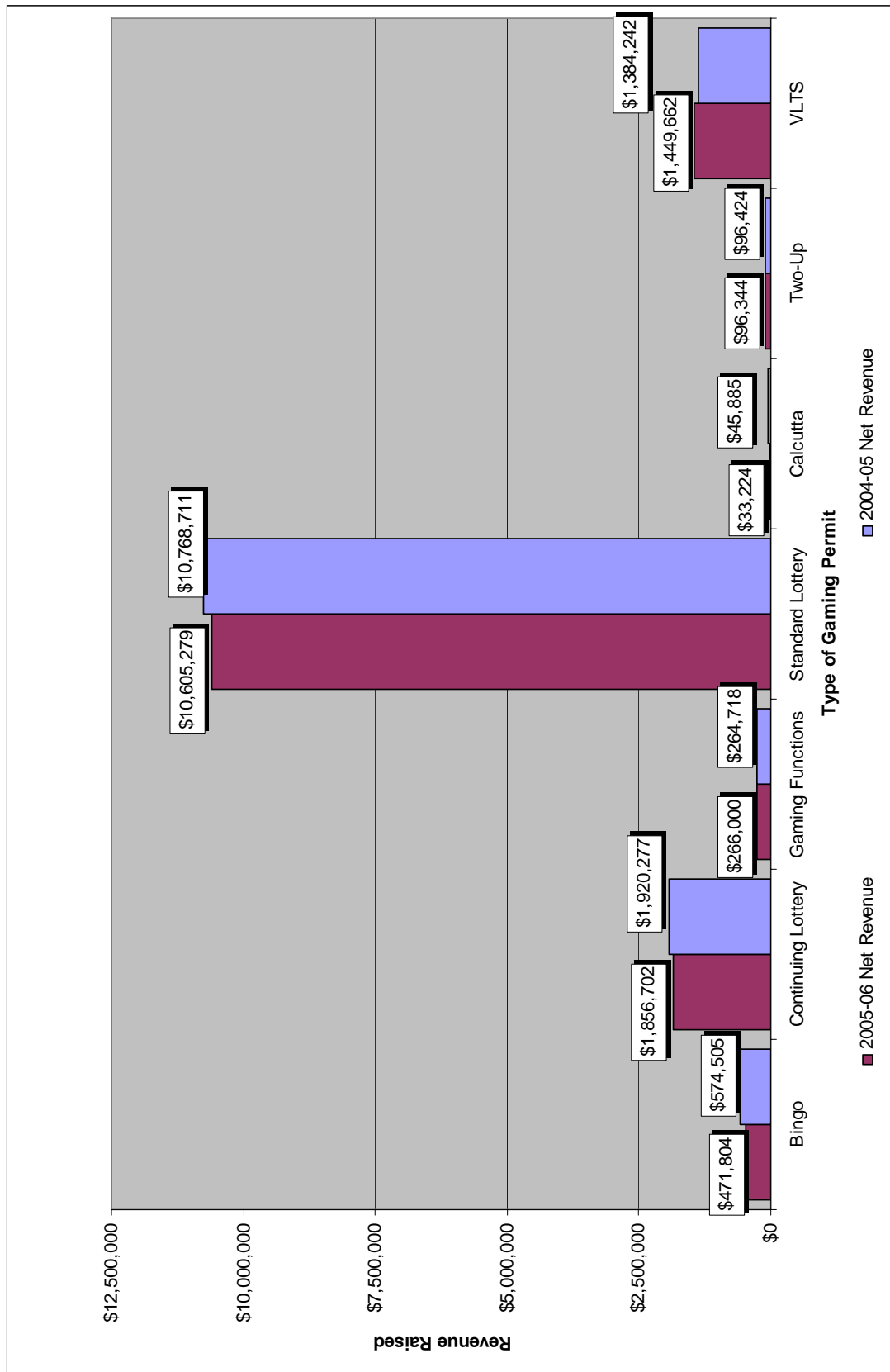


Figure 7: Comparison of net revenue raised by type of Community Gaming Permit as at 30 June 2006 (including comparative figures for the previous year).

Licensing of Casino Employees and Casino Key Employees

The integrity of the casino's employees is central to the integrity of casino gaming. For this reason, all people directly associated with gaming at the casino must be licensed under the appropriate regulations.



Figure 8: Numbers of Casino Employee Licences as at 30 June 2006 (and comparative figures for previous year).

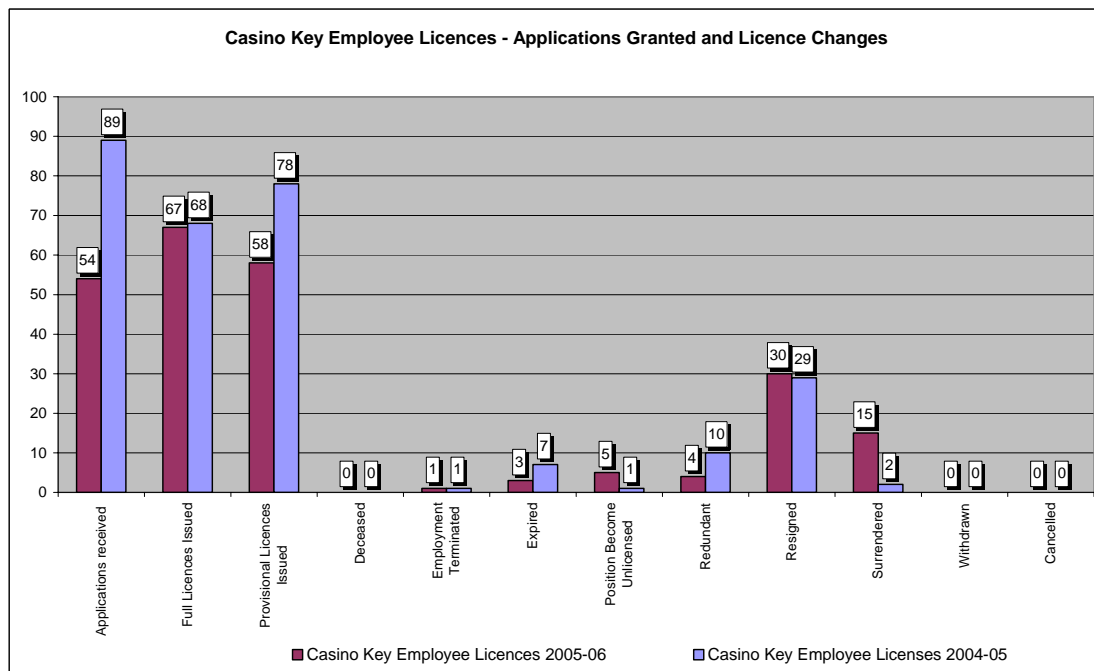


Figure 9: Casino Key Employee Licensing - Applications granted and licence changes for the 2005-06 reporting year (and comparative figures for previous years).

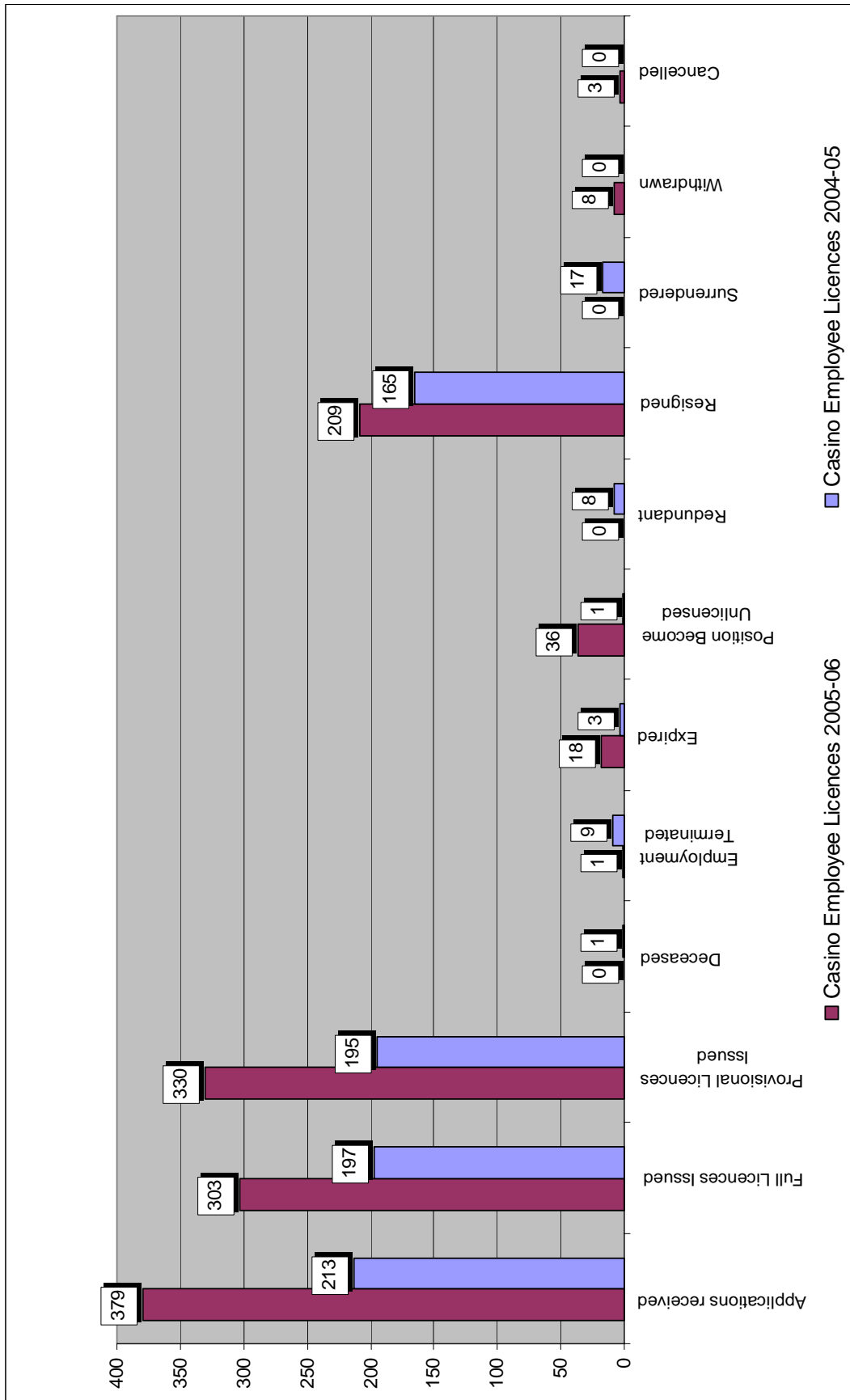


Figure 10: Casino Employee Licensing - Applications granted and licence changes for the 2005-06 reporting year (and comparative figures for previous years).

Licensing of RWWA Directors and Key Employees

Employees acting on behalf of the Gaming and Wagering Commission coordinated the lodgement of applications for the initial licensing of directors and key employees of RWWA, in accordance with the provisions of sections 14 and 24 of the *Racing and Wagering Western Australia Act 2003*.

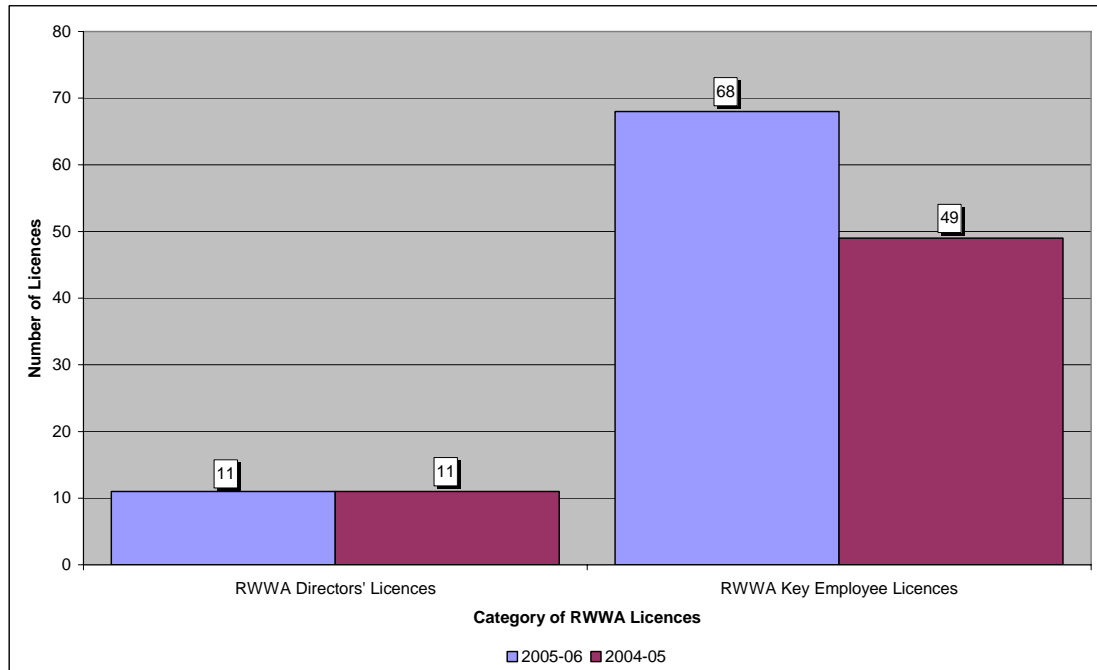


Figure 11: Numbers of RWWA Licences as at 30 June 2006 (and comparative figures for the previous year).

Licensing of Bookmaker Operations

A licensing service regarding bookmakers is also provided by the Department. In this respect, amendments to the *Betting Control Act 1954* in September 2002 provided for, amongst other matters, a bookmaker’s licence to be issued to a natural person, partnership or body corporate. A significant feature of the corporate licensing provisions was the requirement for a partnership, or body corporate holding a bookmaker’s licence to appoint a person as a bookmaker’s manager to manage the operations.

The number of licensed bookmaking operations in the State as at 30 June 2006¹ was 47.

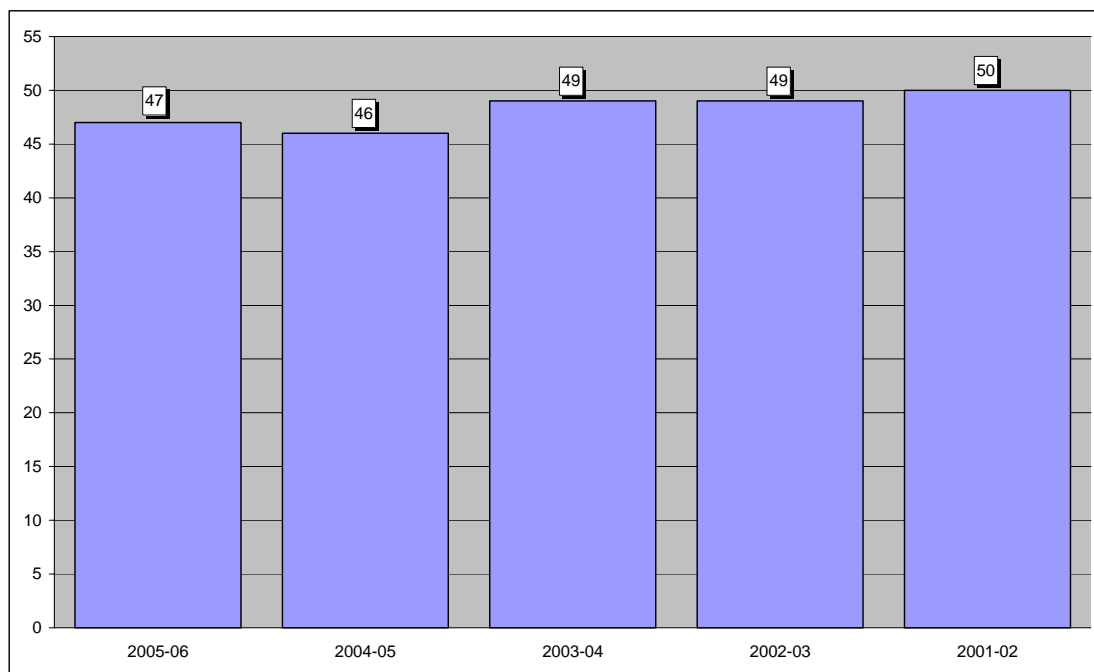


Figure 12: Numbers of Bookmaker's Licences as at 30 June 2006 (and comparative figures for previous years).

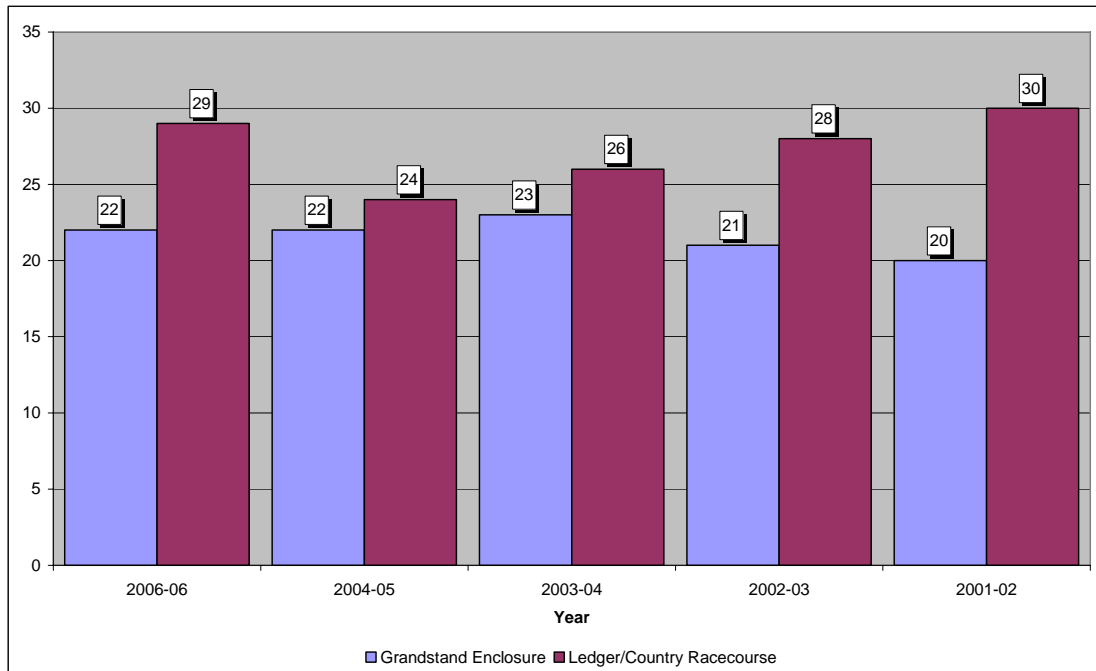


Figure 13: Number of Bookmakers by Licence Type as at 30 June 2006 (and comparative figures for previous years).

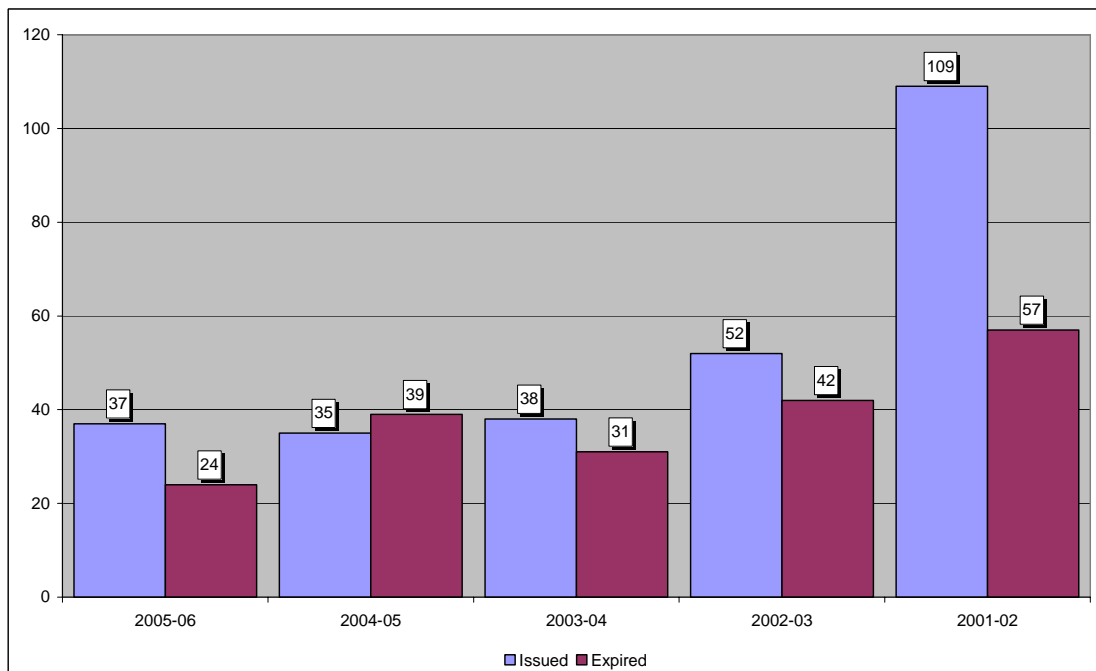


Figure 14: Numbers of Bookmakers' Employee Licences Issued and Expired as at 30 June 2006 (and comparative figures for previous years).

SERVICE 2: COMPLIANCE AUDITS AND INSPECTIONS

The Department provides a range of inspectorial and audit functions of casino and community gaming, liquor licensing and the betting industries to ensure that the service of gambling and liquor is conducted in a responsible and lawful manner.

Inspectorial functions include:

- casino surveillance;
- physical inspection and the auditing of financial returns in relation to permitted gaming activities;
- independent audit and verification of draws, ticket sales and winner selection in regard to 'Lotto' and 'Cash 3';
- reporting on applications made under the provisions of the *Liquor Licensing Act 1988*;
- physical inspection of licensed premises;
- resolution of complaints about licensed premises; and
- assessment and collection of licence fees and other revenue.

On behalf of the Gaming and Wagering Commission and the Director of Liquor Licensing, the inspectorial program enforces the provisions of the *Betting Control Act 1954*, *Casino Control Act 1984*, *Gaming and Wagering Commission Act 1987*, *Liquor Licensing Act 1988* and the *Racing and Wagering Western Australia Act 2003*, so that adequate controls are put in place to establish compliance with legislative requirements and to monitor the ongoing effectiveness of those controls.

In this respect, risk-based compliance assessment programs are used to assess compliance in relation to bookmakers' on-course and telephone betting operations, on-course totalisator betting, betting conducted at TAB agencies, casino gaming, community gaming and licensed premises.

In addition to conducting daily verification of casino gaming revenue and monthly casino tax reconciliations, the Department's inspectorate carried out a program of:

- 129 TAB agency audits;
- 49 bookmaker and on-course totalisator inspections and audits;
- 5368 inspections and audits to obtain reasonable assurance as to casino gaming operations;
- 622 audits and 383 inspections of community gaming operations; and
- 1,705 inspections of licensed premises.

In addition:

- four violations were issued against the casino operator relating to breaches of game rules, procedures or directions; and
- five formal complaints from casino patrons were investigated.

Disciplinary action instigated by the Inspectors, as a result of non-compliance, included the issue of:

- 111 infringement notices to persons who entered the casino whilst subject to a prohibition notice or were found cheating by Inspectors (an additional 16 infringement notices for the same offences were also issued by Police Officers);
- nine infringement notices for offences relating to a breach of permit conditions in relation to community gaming; and
- 91 work orders in respect of licences premises; and
- 80 infringement notices by Inspectors, pursuant to the provisions of the *Liquor Licensing Act 1988*.

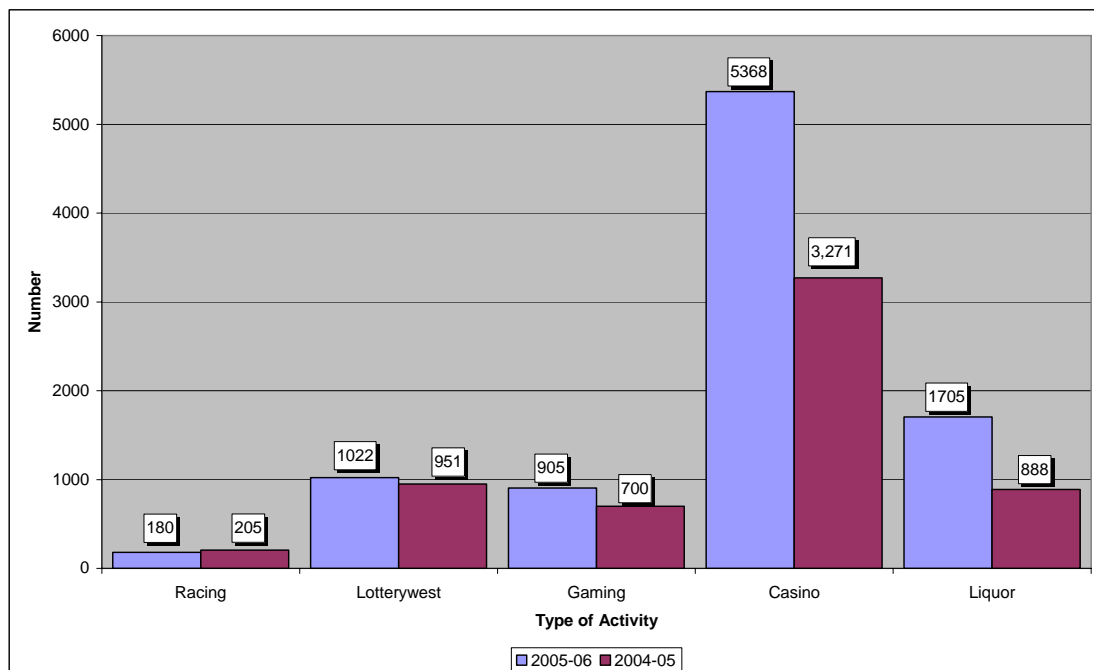


Figure 15: Number of Audits/Inspections/Assessments/Investigations undertaken in 2005-06, with comparative figures from the 2004-05 reporting year.

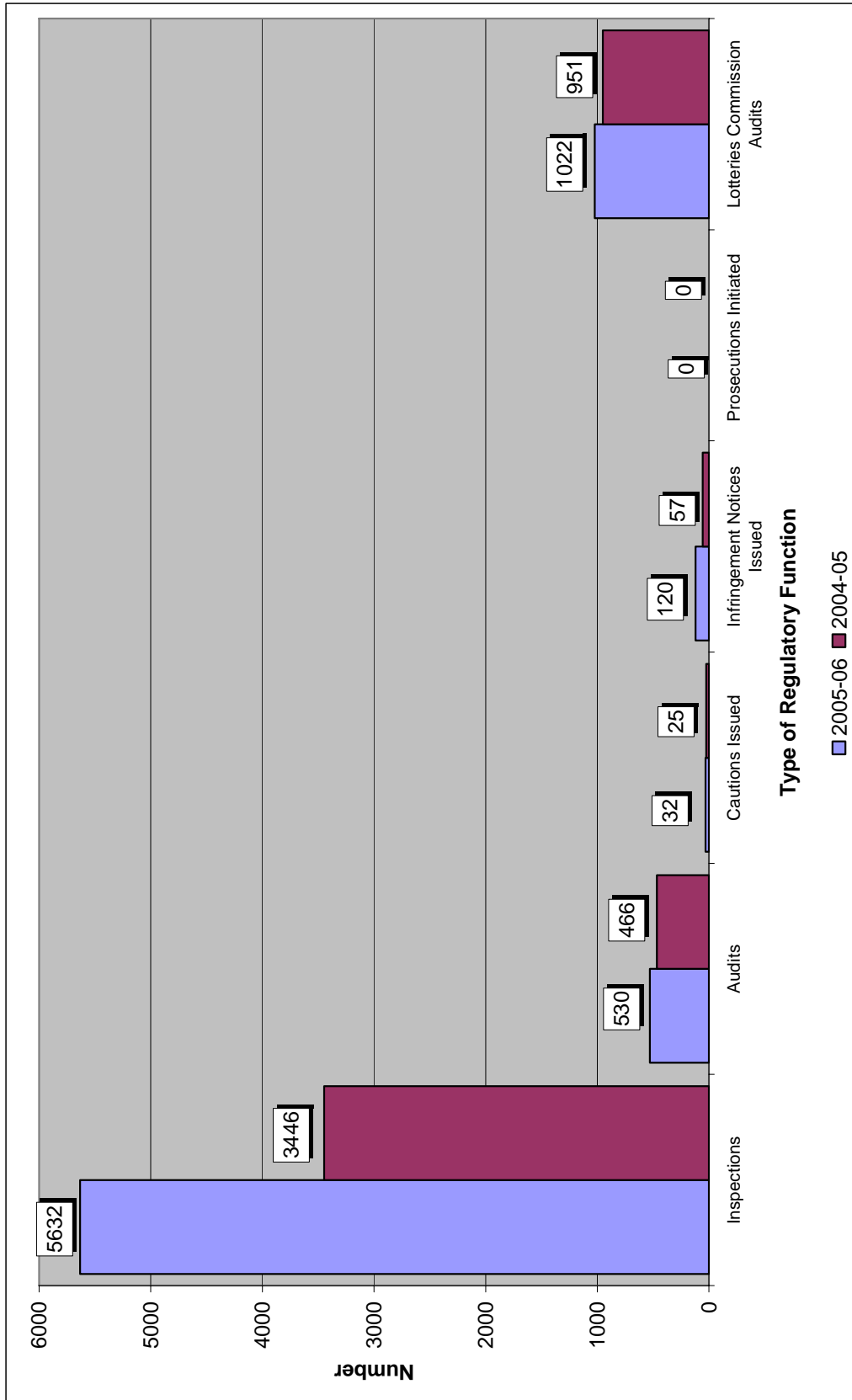


Figure 16: Comparison of the number of Gaming Regulatory Activities for 2005-06, with comparative figures from the 2004-05 reporting year.

CORPORATE GOVERNANCE

This part of the Annual Report contains compliance information that the Department is required to report on, as a consequence of legislative or Ministerial instruction, including the Government's Strategic Planning Framework *Better Planning: Better Services*.

Corruption Prevention

(Premier's Circular 2005/02: *Corruption Prevention*)

During the year under review, the Department implemented a policy on reporting misconduct as part of its measures to reduce corruption and misconduct. The policy is supported by guidelines and procedures that have been developed to provide mechanisms for the investigation of wrongdoing, in order to ensure compliance with *Corruption and Crime Commission Act 2003* and to further enforce the obligation of staff to follow ethical principles. Such mechanisms promote accountability and provide adequate controls, while also allowing for appropriate management flexibility. One of the underlying principles of the Department's human resource management policies is to create an environment that promotes ethical behaviour.

The policy, guidelines and procedures commit the Department to a strong position on ethical standards and outline the Department's risk management activities that have been developed to prevent corruption and misconduct.

Public Interest Disclosures

(*Public Interest Disclosure Act 2003, s. 23(1)(f)*)

As required by the provisions of the *Public Interest Disclosure Act 2003*, the Director General of the Department has complied with the obligations imposed pursuant to section 23(1)(f) of the *Public Interest Disclosure Act 2003*. In this respect:

- the Director of Corporate Services has been appointed as the Department's PID Officer and internal procedures relating to the agency's obligations have been published on the Department's Intranet site; and
- the Department has adopted internal procedures that meet its obligation to provide protection for people who make a public interest disclosure and the outcome of that assessment.

No Public Interest Disclosures were been made during the reporting year.

Substantive Equality

The Department of Racing, Gaming and Liquor is committed to the elimination of systemic racial discrimination from all policies and practices, in accordance with the *Policy Framework for Substantive Equality*.

The *Policy Framework for Substantive Equality* will be developed and integrated into the Department's policies and practices by using the four key drivers:

- Needs Assessment;
- Learning and Development;
- Organisational Performance Appraisal; and
- Monitoring.

Implementation of the *Policy Framework for Substantive Equality* will be commenced in relation to the following service areas, during 2006-07:

- process for conducting section 64 inquiries under the *Liquor Licensing Act 1988*, in particular a review of the Port Hedland inquiry; and
- provision of support for the Problem Gambling Support Services Committee.

A committee has been established to facilitate the implementation of the *Policy Framework for Substantive Equality* and will consist of the Department's Substantive Equality Co-ordinator and key representatives from each operational area of the Department. The committee will be responsible for reviewing and endorsing the implementation plan and regularly reporting to Corporate Executive regarding the progress of implementation.

Risk Management

The Department has in place a Risk Management Plan comprising a matrix of identified risks and recommended treatment to minimise risk. The Plan monitored and reviewed by Corporate Management on a quarterly basis.

Internal Audit

The Internal Audit Committee, comprising the Corporate Management Group, meets bi-monthly. The committee approves the Internal Audit Plan and monitors progress on its implementation. The plan covers operational, financial, compliance and other matters as determined by the Committee.

Information Technology

The Department's Information Technology Section continued to provide support to the Department's internal clients through the provision of a stable and secure technology environment, technical support and business systems development.

During the year, work was completed on the development of a computerised system that included functionality to enable the implementation of a systematic risk-based approach to the selection of audit targets, the completion and review of audit programs and analysis of results to enable the targeting of liquor and gambling organisations, or venues identified as having the greatest degree of risk.

Following the completion and implementation of this system, work has now begun on investigating the feasibility of introducing on-line application and licensing functionality utilising a similar risk based approach.

Information Management

The Department has made significant progress on the introduction of Electronic Document Management ('EDM'), particularly in support of liquor and gaming activities. The introduction of EDM has also facilitated progress towards compliance with the requirements of the *State Records Act 2000* and of the Records Keeping Plan.

Information Statement

(Freedom of Information Act 1992, s. 96-97)

The *Freedom of Information Act 1992* requires agencies to publish an annual information statement in a manner approved by the Attorney General. The Attorney General has approved the publication of the statement either as a stand alone document, or in an agency's annual report.

Where possible, information held by the Department of Racing, Gaming and Liquor will be made available on an informal basis free of charge. Where a formal application is made to the Department, and upon payment of a prescribed fee, a number of specific searches are available.

A formal application for information must:

- be in writing;
- give enough information to enable the requested documents to be identified;
- give an Australian address to which notices can be sent;
- be accompanied by a \$30 application fee, unless the information relates to a personal matter which is free of charge. An additional charge may apply for the processing of non-personal information. The fee is reduced by 25 per cent for pensioners and disadvantaged persons, and
- be addressed to the:

FOI Coordinator
Level 1, 87 Adelaide Terrace
EAST PERTH WA 6004

Before lodging a formal application, it is recommended that applicants discuss the matter with the Department's Freedom of Information Coordinator, who can be contacted by telephoning (08) 9425 1888.

Under the *Freedom of Information Act 1992*, agencies are required to respond to applications for information within 45 days of receipt, unless an extension of time is granted. The average time to process applications during 2005-06 was 44 days.

The Act encourages open Government through the release of documents and information. However, it contains provisions allowing agencies to refuse to deal with applications, or to refuse access to documents, on a range of grounds. Where access to documents is refused, in part or in full, the applicant will be notified of the reasons for the decision.

Applicants have the right of appeal and may seek review of a decision to refuse access by lodging an application for internal review. The Internal Reviewer is the Director General of the Department of Racing, Gaming and Liquor. External appeal rights are also available to the Information Commissioner. The decision maker for all matters relating to gaming, liquor and racing is the Director of Operations. The decision maker for all matters relating to the Corporate Services is the Director of Corporate Services.

During 2005-06, the Department received three applications for information under the Freedom of Information Act. Edited access was allowed for two of the applications, while the other was refused.

There were no applications under consideration as at 30 June 2006.

Recordkeeping Plan

(State Records Act 2000, s. 61 and State Records Commission Standards, Standard 2, Principle 6)

Section 19 of the *State Records Act 2000* requires every Government agency to have a Recordkeeping Plan.

The Department's Recordkeeping Plan (RKP 2004048), approved by the State Records Commission in April 2004, is reviewed periodically, or when there is any significant change to the agency's function.

All employees of the Department of Racing, Gaming and Liquor have undertaken and successfully completed an online Recordkeeping Awareness Training course, developed by CALM and Techniworks Action Learning, during the year.

The objective of this course is to provide every employee with the opportunity to develop a clear understanding of their role and responsibilities in creating, managing and maintaining Government records in a manner that is compliant with the legislative requirements of the Western Australian *State Records Act 2000* and the State Records Principles and Standards.

All new employees undertake this online course and in addition receive information on their roles and responsibilities in regard to compliance with the Department's RKP from Information Services staff as part of their induction program.

The Department intends to measure the effectiveness and efficiency of the training programs and recordkeeping systems through the application of Information Services Performance Indicators that will be evaluated annually.

Advertising and Sponsorship

(Electoral Act 1907, s. S175ZE)

In accordance with section 175ZE of the *Electoral Act 1907*, the Department of Racing, Gaming and Liquor incurred the following expenditure in advertising, market research, polling, direct mail and medial advertising:

1. Total expenditure for 2005-06 was \$13,252.25.
2. Expenditure was incurred in the following areas:

Advertising Agencies		Name of Advertising Agency	
Market research organisations	\$2886	<i>Marketforce Productions</i>	\$2886
Government agencies	\$10365	<i>State Law Publisher, Department of Premier and Cabinet</i>	\$10,365
Polling organisations	Nil		Nil
Direct mail organisations	Nil		Nil
Media advertising organisations	Nil		Nil

Sustainability

(Premiers Circular 2004/14: Sustainability Code of Practice for Government Agencies)

Through the State Sustainability Strategy, the Western Australian Government has defined sustainability as meeting the needs of current and future generations through an integration of environmental protection, social advancement, and economic prosperity.

The Premier's Circular 2004/14 requires agencies to provide a three-year Sustainability Action Plan. The first Sustainability Action Plans were required by 31 December 2004, an obligation that the Department has met.

During 2005-06 the Department addressed the targets and priority areas of the Sustainability Action Plan by:

- complying with State Supply Commission policies and guidelines for procurement. Where available, Department of Treasury and Finance Common Use Agreements the Department utilises, as these have already taken sustainability factors into account in their formation and evaluation for the provision of goods or services. The State Supply Commission Health Check 7 was completed in March/April 2005 for PCs and notebooks;
- utilising Department of Treasury and Finance Common Use Agreements for waste paper and cardboard recycling, including confidential bins. Waste audit commenced in accordance with requirements; and
- maintaining a vehicle pool of only four-cylinder vehicles.

Waste Paper and Other Recycling

Measures such as the recycling of used toner cartridges and the use of paper recycling bins has contributed to the reduction in waste emanating from the Department's activities.

The policy of the Department is for superseded and serviceable IT equipment to be transferred to the Education Department. Where IT equipment is obsolete and unserviceable, the policy provides for it to be transferred to a local recycling company.

Energy Smart Government policy

In accordance with the *Energy Smart Government policy*, the Department of Racing, Gaming and Liquor is committed to achieving a 15 per cent reduction in non-transport related energy use for 2006/07, with a 12 per cent reduction achieved for 2005-06.

Energy Smart Government program	Baseline	2004-05	Variation %
Energy Consumption (GJ)	757	597	21.1
Energy Cost (\$)	33399	26327	
Greenhouse Gas Emissions (tonnes of CO ₂)	194	149	
<i>Performance Indicators</i>			
MJ/sqm ²	380	300	
MJ/FTE ³	8804	6792	

(The actual Performance Indicator varies depending on agency functions)

The savings on energy usage achieved during the reporting period were in excess of the required 10 per cent and have been contributed to by:

- continuation of energy management action plans;
- continued monitoring of energy usage;
- enabling energy saving features of IT equipment;
- maintaining staff awareness on measures to encourage responsible energy usage; and
- inclusion of sustainability and energy smart principles in staff inductions.

Staff Profile

Chart 15 (below) provides a breakdown of the profile of employees of the Department of Racing, Gaming and Liquor as at 30 June 2006. Chart 16 presents the same information as at 30 June 2005.

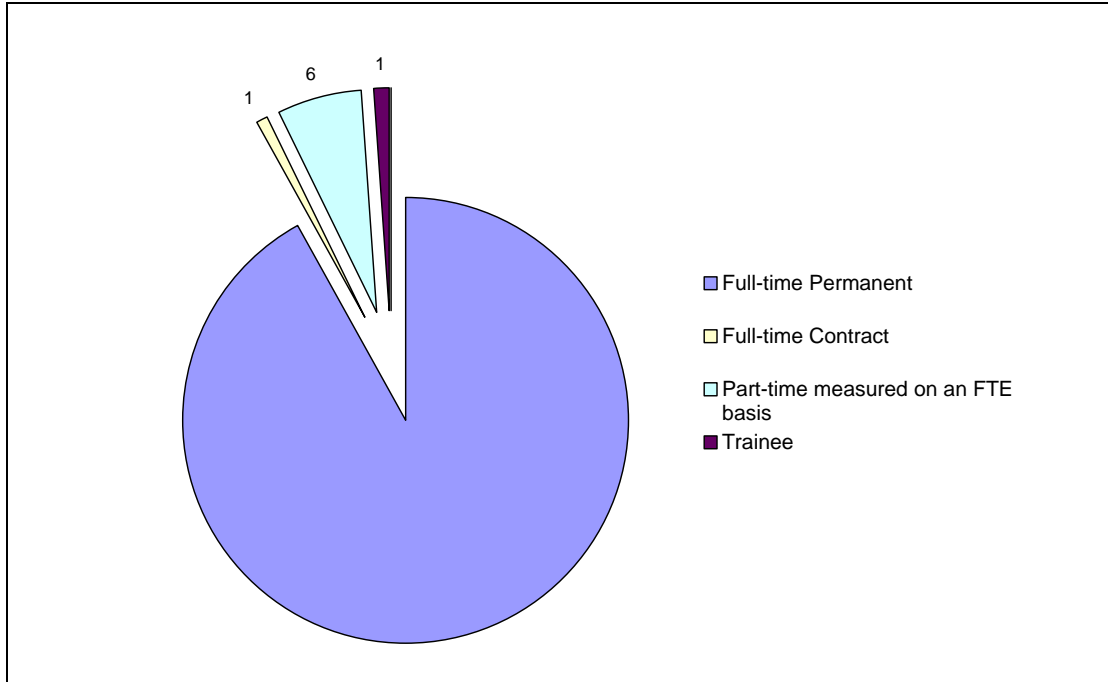


Figure 17: Staff profile as at 30 June 2006

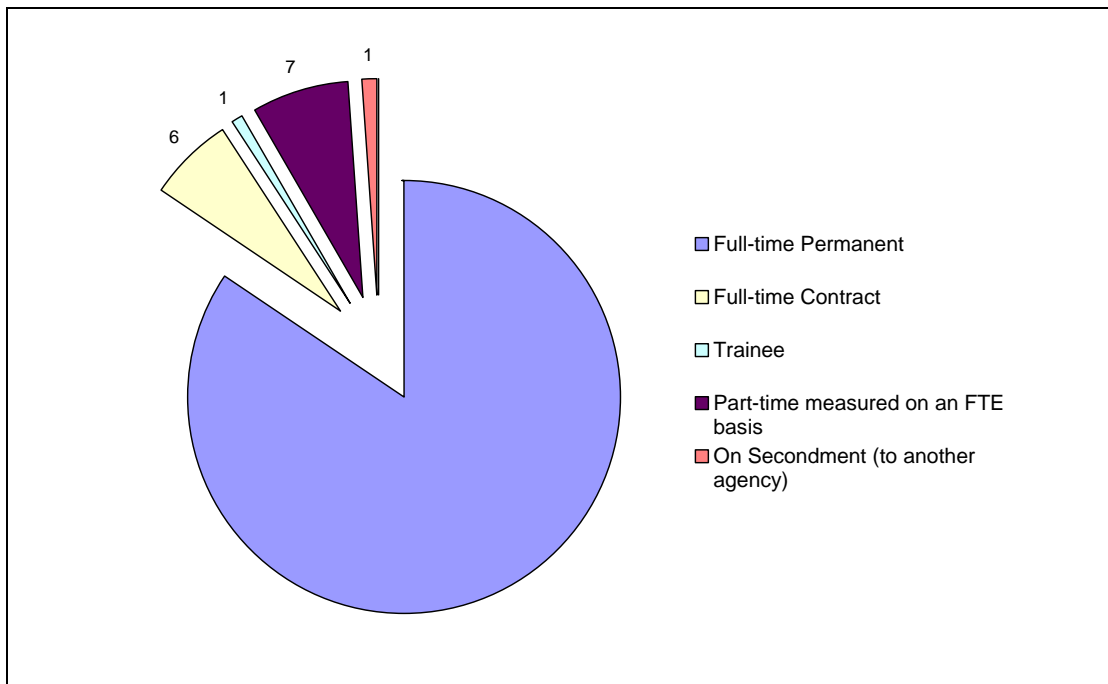


Figure 18: Staff profile as at 30 June 2005

Worker's Compensation

For ease of reference, the details of worker's compensation claims for the year under the review and a number of proceeding years is presented in the following charts:

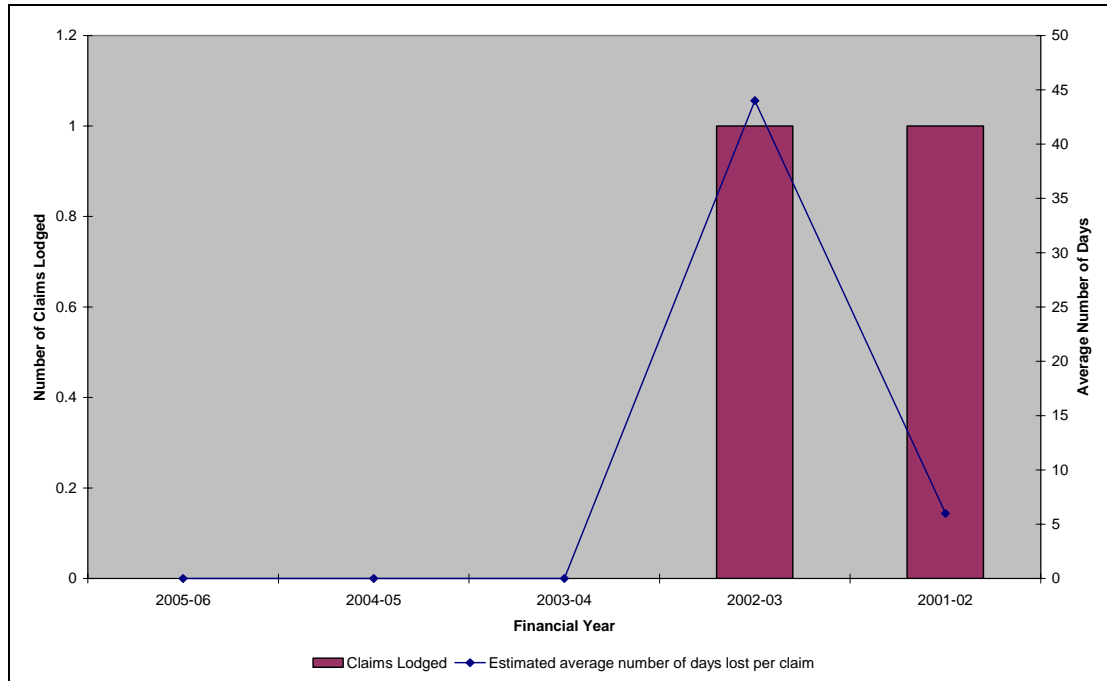


Figure 19: Number of worker's compensation claims lodged and days lost.

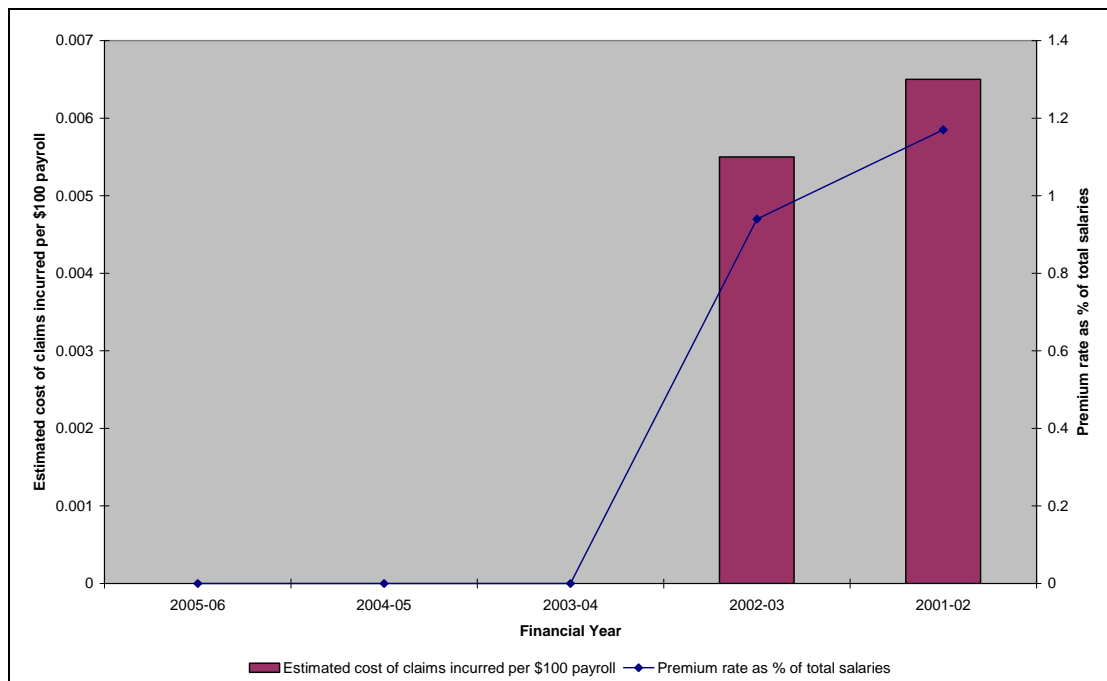


Figure 20: Estimated cost of worker's compensation claims.

Disability Service Plan Outcomes

The Department currently has in place a five year Disability Service Plan that provides strategies to improve access to the services it provides. The plan is reviewed annually.

In accordance with requirements of the *Disability Services Act 1993*, the Department is currently developing a 'Disability Access and Inclusion Plan.'

Access and egress to the building have been improved as a consequence of the car park-wheelchair ramp being replaced, and by an electronic door being installed on the lower ground level.

Cultural Diversity and Language Services Outcomes

External interpreter services continue to be available to clients who are unable to communicate in English, or who have a hearing impairment.

Youth Outcomes

The Department has recruited a number of young people under the age of 25 and has exceeded the Equity and Diversity target in this area.

Staff Development

The Department of Racing, Gaming and Liquor has a commitment to train and develop its employees. The Department aims to build a highly skilled, professional and ethical workforce with the ability to adapt to changing business, technology and environmental needs.

During the year, the Department's training and development programs included leadership coaching and improving proficiency in the use of corporate business systems.

Equal Employment Opportunity Outcomes (EEO)

(*Equal Opportunity Act 1984, s. 146*)

During the 2005-06 reporting year, the Department's capacity to manage EEO and Diversity issues has improved.

Diversity data shows that the Department on track to achieve increases in employee representation from the EEO groups.

Key results show:

- **People with Disabilities:** *the Department's representation is 7.4 per cent.* Appropriate modifications have been made to the workplace to accommodate specific needs.
- **Indigenous Australians:** *the Department's representation is 3.2 per cent.* During the year under review, the Department continued its participation in the Indigenous Employment Program.
- **Youth employment:** *the Department's representation is 6 per cent.*
- As at 30 June 2006, the Department's **male/female ratio** of staff was **52:53**.

Equal Employment Opportunity awareness training was once again delivered to all employees during the reporting year.

Level one employees, comprising mainly females, are being given the opportunity to attend recruitment and selection workshops as part of their personal development program. This will assist them in being competitive and will improve their promotional prospects.

Level two employees, particularly those who regularly act in supervisory positions, are being given the opportunity to participate in a front line supervisors training program. This program incorporates EEO training and develops skills and knowledge in dealing with sexual-harassment related issues.

Several employees have been given the opportunity to participate in a development program in the areas of Policy and Executive Support and Compliance. The program is designed to provide participants with new skills, knowledge and experiences; and also to enable improved competitiveness in future recruitment exercises these types of specialist areas. Several women have successfully participated in these programs.

The Department has recently been recognised by the Department of Consumer and Employment Protection for its initiatives in facilitating mature age employment through the implementation of a strategy that enables retirement aged employees to keep working, should they wish to do so. The strategy includes a number of employment options, including part time and contract work.

Compliance with Public Sector Standards and Ethical Codes

(Public Sector Management Act 1984, s.146)

During the year under review, the Department complied with the Public Sector Standards and Code of Ethics as demonstrated by:

- All decisions to which the Standards apply are assessed for compliance by an independent person.
- Employees have been reminded of their obligations to comply with the Public Sector Code of Ethics and the Department's Code of Conduct.
- Employees who regularly participate as members of Selection Panels have received training in this process and the requirements of the Standard on Recruitment.
- Level one staff (entry level employees) have also been given the opportunity to attend training sessions on the requirements of the recruitment process and the Standard on Recruitment.

COMPLIANCE WITH PUBLIC SECTOR MANAGEMENT ACT, SECTION 31(1)

1. In the administration of the Department of Racing, Gaming and Liquor, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and the Department's Code of Conduct.
2. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in paragraph 1 (above) is correct.
3. The applications made for breach of standards review and the corresponding outcomes for the reporting period are:
 - Number lodged: Nil
 - Number of breaches found:
(including details of multiple breaches per application) Nil
 - Number still under review: Nil



Barry A Sargeant
ACCOUNTABLE OFFICER

1 August 2006

PRICING POLICIES ON SERVICES

The pricing policy on services adopted by the Department of Racing, Gaming and Liquor is based on the premise that:

1. industries that are determined by Government to require regulation should meet the full costs of that regulation through appropriate licence fees⁴;
2. the primary purpose for the imposition of fees should be regulatory⁵;
3. provision to allow the imposition of a fee should be contained in legislation with the level of fees being established by regulation⁶;
4. the liquor, racing and gaming industries should perceive that they receive value for money in the context of the regulation of those industries⁷; and
5. the fee structure should be simple.

PROMOTIONAL, PUBLIC RELATIONS OR MARKETING ACTIVITIES

The Department of Racing, Gaming and Liquor does not have a public relations unit within its structure. However, the Director General and other senior officers are regularly required to liaise with the media and represent the Department at a number of formal and social functions.

The Department's licensing staff attend the Burswood International Resort Casino to address trainees at the casino's croupier training schools.

The Director of Liquor Licensing and Assistant Directors lecture hospitality students at various TAFE Colleges on the areas of harm minimisation, responsible service of alcohol and the requirements of the *Liquor Licensing Act 1988*.

SUMMARY OF PUBLICATIONS AVAILABLE TO THE PUBLIC

The following publications are available to assist the public of Western Australia and the industries regulated by the Department of Racing, Gaming and Liquor.

General Publications

- Annual Report of the Department of Racing, Gaming and Liquor.
- Annual Report of the Gaming and Wagering Commission of Western Australia.
- Annual Report of the Racing Penalties Appeal Tribunal.
- Customer Service Charter.

Publications relating to gaming and wagering

- Rules of Authorised Games played at the Burwood International Resort Casino (for inspection only).
- Rules of games associated with community gaming (e.g. Bingo).
- Gambling Industry Status Report.
- Continuing Lotteries Information and Guide for Permit Holders.
- Racing Industry Status Report.

Publications relating to liquor licensing

- Liquor Licensing Bulletin.
- Policy Statements issued by the Director of Liquor Licensing on a range of matters, including harm minimisation, the responsible promotion of liquor and extended trading permits.
- Lodgement guides for applications under the Liquor Licensing Act.

FINANCIAL STATEMENTS

The aim of these Financial Statements is to present to the Parliament details of revenue and expenditure for the Department of Racing, Gaming and Liquor in the format determined by *Statement of Accounting Standard AAS29: Financial Reporting by Government Departments*. It should be noted that:

- the Department of Racing, Gaming and Liquor is a department as defined under the *Public Sector Management Act 1994*;
- an appropriation was made from the Consolidated Fund for 2004-05 to cover the expenditure of the Department;
- in accordance with section 23A of the *Financial Administration and Audit Act 1985*, the Department may retain revenues which may only be applied to the services specified in the 2005-06 Budget Statements;
- these financial statements have been prepared on an accrual basis in accordance with the provisions of the *Financial Administration and Audit Act 1985*; and
- the Department provides financial management and other corporate services to the Gaming and Wagering Commission and the Racing Penalties Appeal Tribunal⁸.

CERTIFICATION OF FINANCIAL STATEMENTS For The Year Ended 30 June 2006

The accompanying financial statements of the Department of Racing, Gaming and Liquor have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2006 and the financial position as at 30 June 2006.

At the date of signing, we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Barry A Sargeant
ACCOUNTABLE OFFICER

28 July 2006



Terry Ng
PRINCIPAL ACCOUNTING OFFICER

28 July 2006

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$000	2005 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	6	5,312	5,232
Supplies and services	7	1,027	1,040
Depreciation and amortisation expense	8	413	426
Capital user charge	9	261	235
Accommodation expenses	10	439	510
Other expenses	11	67	20
Total cost of services		<u>7,519</u>	<u>7,463</u>
Income			
Revenue			
User charges and fees	12	4,450	4,419
Total revenue		<u>4,450</u>	<u>4,419</u>
Total income other than income from State Government		<u>4,450</u>	<u>4,419</u>
NET COST OF SERVICES	25	<u>3,069</u>	<u>3,044</u>
INCOME FROM STATE GOVERNMENT			
Service appropriation	13	3,273	3,220
Liabilities assumed by the Treasurer		17	87
Resources received free of charge		138	145
Total income from State Government		<u>3,428</u>	<u>3,452</u>
SURPLUS/DEFICIT FOR THE PERIOD		<u>359</u>	<u>408</u>

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

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$000	2005 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	25	1,893	1,688
Restricted cash and cash equivalents	14	39	30
Receivables	15	409	354
Amounts receivable for services	16	330	200
Total Current Assets		<u>2,671</u>	<u>2,272</u>
Non-Current Assets			
Restricted cash and cash equivalents	14	16	0
Amounts receivable for services	16	1,151	962
Plant and equipment	17	466	397
Intangible assets	18	366	615
Total Non-Current Assets		<u>1,999</u>	<u>1,974</u>
TOTAL ASSETS		<u>4,670</u>	<u>4,246</u>
LIABILITIES			
Current Liabilities			
Payables	20	33	139
Provisions	21	490	476
Other current liabilities	22	187	72
		<u>710</u>	<u>687</u>
Non-Current Liabilities			
Provisions	21	465	423
Total Non-Current Liabilities		<u>465</u>	<u>423</u>
TOTAL LIABILITIES		<u>1,175</u>	<u>1,110</u>
NET ASSETS		3,495	3,136
EQUITY			
Contributed equity	23	454	454
Accumulated surplus/(deficiency)		3,041	2,682
Total Equity		<u>3,495</u>	<u>3,136</u>
TOTAL LIABILITIES AND EQUITY		<u>4,670</u>	<u>4,246</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$000	2005 \$000
Balance of equity at start of period	39	<u>3,136</u>	<u>2,728</u>
CONTRIBUTED EQUITY			
	23		
Balance at start of period		454	454
Capital contribution		0	0
Balance at end of period		<u>454</u>	<u>454</u>
ACCUMULATED SURPLUS (RETAINED EARNINGS)			
	23		
Balance at start of period		2,682	2,274
Net adjustment on transition to AIFRS	39	0	0
Restated balance at start of period		2,682	2,274
Surplus/(deficit) or profit/(loss) for the period		359	408
Gain/(losses) recognised directly in equity		0	0
Balance at end of period		<u>3,041</u>	<u>2,682</u>
Balance of equity at end of period		<u><u>3,495</u></u>	<u><u>3,136</u></u>
Total income and expense for the period		<u>359</u>	<u>408</u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$000	2005 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		2,754	2,688
Holding account drawdowns		200	30
Net cash provided by State Government		2,954	2,718
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(5,181)	(5,314)
Supplies and services		(894)	(895)
Capital user charge		(257)	(249)
Accommodation expenses		(511)	(507)
GST payments on purchases		(380)	(155)
Other payments		(68)	(10)
Receipts			
User charges and fees		4,459	4,415
GST receipts on sales		8	10
GST receipts from taxation authority		374	150
Net cash provided by/(used in) operating activities	25	(2,450)	(2,555)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(284)	(154)
Proceeds/(payments) from fees in trust		1	(2)
Proceeds/(payments) from Trust Fund		9	2
Net cash provided by/(used in) investing activities		(274)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		0	(3)
Net cash provided by/(used in) financing activities		0	(3)
Net increase/(decrease) in cash and cash equivalents		230	6
Cash and cash equivalents at the beginning of period		1,718	1,712
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD			
	25	1,948	1,718

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

**SCHEDULE OF INCOME AND EXPENSES BY SERVICE
FOR THE YEAR ENDED 30 JUNE 2006**

	Licensing - Evaluation and determination of applications		Compliance audits and inspections		TOTAL	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
COST OF SERVICES						
Expenses						
Employee benefits expense	2,335	2,579	2,977	2,653	5,312	5,232
Supplies and services	511	533	516	507	1,027	1,040
Depreciation and amortisation expense	198	188	215	238	413	426
Capital user charge	130	117	131	118	261	235
Accommodation expenses	247	281	192	229	439	510
Other expenses	39	15	28	5	67	20
Total cost of services	3,460	3,713	4,059	3,750	7,519	7,463
Income						
User charges and fees	2,724	2,722	1,726	1,697	4,450	4,419
Total income other than income from State Government	2,724	2,722	1,726	1,697	4,450	4,419
NET COST OF SERVICES	736	991	2,333	2,053	3,069	3,044
INCOME FROM STATE GOVERNMENT						
Service appropriation	1,076	933	2,197	2,287	3,273	3,220
Liabilities assumed by the Treasurer	33	152	(16)	(65)	17	87
Resources received free of charge	48	60	90	85	138	145
Total income from State Government	1,157	1,145	2,271	2,307	3,428	3,452
Surplus/deficit for the period	421	154	(62)	254	359	408

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

SUMMARY OF CONSOLIDATED FUND APPROPRIATIONS AND INCOME ESTIMATES FOR THE YEAR ENDED 30 JUNE 2006

	2006 Estimate \$000	2006 Actual \$000	Variance \$000	2006 Actual \$000	2005 Actual \$000	Variance \$000
DELIVERY OF SERVICES						
Item 98 Net amount appropriated to deliver services	3,126	3,126	0	3,126	3,078	48
Amount Authorised by Other Statutes - Salaries and Allowances Act 1975	146	147	(1)	147	142	5
Total appropriations provided to deliver services	3,272	3,273	(1)	3,273	3,220	53
CAPITAL						
Capital Contribution	0	0	0	0	0	0
ADMINISTERED TRANSACTIONS						
Item 99 Amount provided for Administered grants, subsidies and other transfer payments	87,540	87,540	0	87,540	74,330	13,210
Amount Authorised by Other Statutes - Liquor Licensing Act 1988	3,500	1,892	1,608	1,892	3,888	(1,996)
Total administered transactions	91,040	89,432	1,608	89,432	78,218	11,214
GRAND TOTAL	94,312	92,705	1,607	92,705	81,438	11,267
Details of Expenses by Service						
Service 1 : Licensing - Evaluation and determination of applications	3,820	3,460	360	3,460	3,713	(253)
Service 2 : Compliance audits and inspections	4,292	4,059	233	4,059	3,750	309
Total Cost of Services	8,112	7,519	593	7,519	7,463	56
Less total income	(4,726)	(4,450)	(276)	(4,450)	(4,419)	(31)
Net Cost of Services	3,386	3,069	317	3,069	3,044	25
Adjustments (1)	(114)	204	(318)	204	176	28
Total appropriations provided to deliver services	3,272	3,273	(1)	3,273	3,220	53
Capital Expenditure						
Purchase of non-current physical assets	388	284	104	284	154	130
Adjustments for other funding sources	(388)	(284)	(104)	(284)	(154)	(130)
Capital Contribution (appropriation)	0	0	0	0	0	0
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	52,000	59,156	7,156	59,156	51,666	7,490
Taxes and licences						
Casino Tax						

(1) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 29 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2006 and between the actual results for 2005 and 2006.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. Departmental mission and funding

The Department's mission is to promote and maintain the integrity of lawful gambling and liquor activities through the licensing and regulation of suppliers, within community expectations on harm minimisation.

The Department is partly funded by Parliamentary appropriations. During 2005-06, the Department provided financial management and other corporate support services to other agencies that are charged out on a full cost recovery basis:

- Racing Penalties Appeal Tribunal
- Gaming and Wagering Commission of Western Australia.

In accordance with section 23A of the Financial Administration and Audit Act 1985, the Department may retain moneys received for services provided by the Department for:

- functions performed for the Racing and Gaming Industries
- functions performed for the Commonwealth Government on Christmas and Cocos Islands (administered through the Indian Ocean Territories Reimbursement Trust Fund).

The financial statements encompass all funds through which the Department controls resources to carry on its functions.

In the process of reporting on the Department as a single entity, all intra-entity transactions and balances have been eliminated.

2. First time adoption of Australian equivalents to International Financial Reporting Standards

General

This is the Department's first published financial statements prepared under Australian equivalents to International Financial Reporting Standards (AIFRS).

Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 30 June 2005, the financial statements have been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issue Group (UIG) Interpretations.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. All other comparative information has been prepared under the AIFRS basis.

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. This TI requires the early adoption of revised AASB 119 'Employee Benefits' as issued in December 2004, AASB 2004-3 'Amendments to Australian Accounting Standards' and 2005-3 'Amendments to Australian Accounting Standards [AASB 119]'; AASB 2005-4 'Amendments to Australian Accounting Standard [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]' and AASB 2005-6 'Amendments to Australian Accounting Standards [AASB 3]' to the annual reporting period beginning 1 July 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 'Business Combinations'.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are provided at note 39 'Reconciliations explaining the transition to AIFRS'.

3. Summary of significant accounting policies

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of Preparation

The financial statements have been prepared in accordance with Accounting Standard AAS 29 'Financial Reporting by Government Departments' on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), or in certain cases, to the nearest dollar.

The judgements that have been made in the process of applying the Department's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at note 4 'Judgements made by management in applying accounting policies'.

(c) Reporting Entity

The reporting entity comprises the Department only.

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at note 36 'Administered expenses and income' and note 37 'Administered assets and liabilities'.

(d) Contributed Equity

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

(e) Income

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser.

Rendering of services

Revenue is recognised upon delivery of the service to the client or by reference to the stage of completion.

Service Appropriations

Service Appropriations are recognised as revenues in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited into the Department's bank account or credited to the holding account held at the Department of Treasury and Finance. See note 13 'Income from State Government' for further detail.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed revenues to be retained for services under the control of the Department. In accordance with the determination specified in the 2005-06 Budget Statements, the Department retained \$4.45 million in 2006 (\$4.42 million in 2005) from the following:

- * proceeds from the provision of services to the Racing and Gaming Industries;
- * proceeds from the provision of services to the Commonwealth in respect of Indian Ocean Territories; and
- * liquor fees and other revenue.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(f) Plant and Equipment*Capitalisation/Expensing of assets*

Items of plant and equipment costing over \$1,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$1,000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of plant and equipment are initially recognised at cost.

For items of plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset, the Department uses the cost model for the plant and equipment. Plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Expected useful lives for each class of depreciable asset are:

Wood furniture	10 years
Metal furniture	15 years
Office equipment	5 years
Computer equipment	3 - 10 years

(g) Intangible Assets*Capitalisation/Expensing of assets*

Acquisitions of intangible assets costing over \$1,000 and internally generated intangible assets costing over \$1,000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these threshold are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Department have a finite useful life and zero residual value. The expected useful life for computer software is five years.

Computer software

Software that is an integral part of the related hardware is treated as plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$1,000 is expensed in the year of acquisition.

(h) Impairment of Assets

Plant and equipment, and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Department is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each reporting date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market evidence. Where fair value is determined by reference to depreciated replacement costs, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each reporting date.

See note 19 'Impairment of assets' for the outcome of impairment reviews and testing.

See note 3(n) 'Receivables' and note 15 'Receivables' for impairment of receivables.

(i) Leases

The Department holds operating leases for motor vehicles and office accommodation. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

(j) Financial Instruments

The Department has two categories of financial instrument:

- * Receivables (cash and cash equivalents, receivables); and
- * Non-trading financial liabilities (payables).

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(k) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of cash on hand.

(l) Accrued Salaries

The accrued salaries suspense account (see note 14 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

Accrued salaries (refer note 22 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

(m) Amounts Receivable for Services (Holding Account)

The Department receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

See also note 13 'Income from State Government' and note 16 'Amounts receivable for services'.

(n) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 3(j) 'Financial Instruments' and note 15 'Receivables'.

(o) Payables

Payables are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 3(j) 'Financial Instruments' and note 20 'Payables'.

(p) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date. See note 21 'Provisions'.

(i) Provisions - Employee Benefits*Annual Leave and Long Service Leave*

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflow.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Department has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by Treasurer.

Employees who are not members of either the Pension or the GSS Schemes become non-contributory members of the West State Superannuation Scheme (WSS), an accumulated fund. The Department makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS Scheme.

The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped by the Treasurer for the employer's share.

See also note 3(q) 'Superannuation Expense'.

(ii) Provisions - Other*Employment On-Costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. See note 11 'Other expenses' and note 21 'Provisions'.

Restoration Costs

A provision is recognised where the Department has a legal, equitable or constructive obligation to undertake restoration work. Estimates are based on the present value of expected future cash outflows.

(q) Superannuation Expense

The following elements are included in calculating the superannuation expense in the Income Statement:

(a) Defined benefit plans - Change in the unfunded employer's liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and

(b) Defined contribution plans - Employer contributions paid to the West State Superannuation Scheme (WSS), and the equivalent of employer contributions to the GSS.

Defined benefit plans - in order to reflect the true cost of services, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer (refer note 3(p)(i)), a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. See note 13 'Income from State Government'.

Defined contribution plans - in order to reflect the Department's true cost of services, the Department is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Fund.

(r) Resources Received Free of Charge or for Nominal Cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as revenues and as assets or expenses as appropriate, at fair value.

(s) Fees in Trust

Fees in trust mainly represent the outstanding balances of liquor licence fees related to Christmas and Cocos Islands.

(t) Comparative Figures

Comparative figures have been restated on the AIFRS basis except for financial instruments information, which has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments is 1 July 2005 in accordance with the exemption allowed under AASB 1, paragraph 36A and Treasurer's Instruction 1101.

4. Judgements made by management in applying accounting policies

Operating Lease Commitment

The Department has entered into a number of commercial lease arrangements for motor vehicles and office accommodation where the lessors effectively retain all the significant risks and rewards of ownership of the items held under the leases. Accordingly, the leases have been classified as operating leases.

5. Disclosure of changes in accounting policy and estimates

Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. As referred to in Note 2, TI 1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Department has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.

2. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Department does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.

3. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease'. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At reporting date, the Department has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

The following amendments are not applicable to the Department as they will have no impact:

AASB Amendment	Affected Standards
2005-1	AASB 139 (Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	AASB 121 (Net investment in foreign operations)
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
UIG 6	'Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment'.
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	'Scope of AASB 2'.
UIG 9	'Reassessment of Embedded Derivatives'.

	2006	2005
	\$000	\$000
6. Employee benefits expense		
Wages and salaries ^(a)	4,806	4,595
Superannuation - defined contribution plans ^(b)	464	463
Superannuation - defined benefit plans ^{(c)(d)}	17	87
Change in annual and long service leave entitlements ^(e)	25	87
Other related expenses	0	0
	<u>5,312</u>	<u>5,232</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

(b) Defined contribution plans include West State and Gold State (contributions paid).

(c) Defined benefit plans include Pension scheme and Gold State (pre-transfer benefit).

(d) An equivalent notional income is also recognised (see note 13 'Income from State Government').

(e) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 11 'Other expenses'. The employment on-costs liability is included at note 21 'Provisions'.

7. Supplies and services		
Communications	103	131
Consultants and contractors	231	254
Consumables	350	310
Repairs and maintenance	150	160
Travel	56	42
Legal services - Resources received free of charge	135	143
Other	2	0
	<u>1,027</u>	<u>1,040</u>

8. Depreciation and amortisation expense		
Depreciation		
Furniture equipment	39	41
Computing equipment	114	110
Total depreciation	153	151
Amortisation		
Computer software	260	275
Total amortisation	260	275
Total depreciation and amortisation	<u>413</u>	<u>426</u>

9. Capital user charge		
Capital user charge	261	235

The Government applies a levy for the use of its capital for the delivery of services. It is applied at 8% per annum on the net assets of the Department, excluding exempt assets, and is paid to the Department of Treasury and Finance quarterly.

	2006 \$000	2005 \$000
10. Accommodation expenses		
Lease rentals	436	508
Resources received free of charge	<u>3</u>	<u>2</u>
	<u>439</u>	<u>510</u>
11. Other expenses		
Restoration costs	32	0
Bad debts expense	11	11
Employment on-costs ^(a)	<u>24</u>	<u>9</u>
	<u>67</u>	<u>20</u>
<p>(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 21 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.</p>		
12. User charges and fees		
Recoups for services provided:		
<u>Net Appropriation Revenues</u>		
Gaming and Wagering Commission of Western Australia	2,538	2,586
Racing Penalties Appeal Tribunal	112	106
Commonwealth Government	64	70
Liquor fees and other charges	<u>1,736</u>	<u>1,657</u>
	<u>4,450</u>	<u>4,419</u>
13. Income from State Government		
Appropriation received during the year:		
Service appropriations ^(a)	<u>3,273</u>	<u>3,220</u>
	3,273	3,220
<p>The following liabilities have been assumed by the Treasurer during the financial year:</p>		
- Superannuation ^(b)	<u>17</u>	<u>87</u>
Total liabilities assumed by the Treasurer	17	87
Resources received free of charge ^(c)		
<p>Determined on the basis of the following estimates provided by agencies:</p>		
Department of Housing and Works		
- property management services	3	2
Department of Justice		
- legal services	135	143
	<u>138</u>	<u>145</u>
	<u>3,428</u>	<u>3,452</u>

(a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme. (The notional superannuation expense is disclosed at note 6 'Employee benefits expense').

(c) Where assets or services have been received free of charge or for nominal cost, the Department recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Department shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

	2006	2005
	\$000	\$000
14. Restricted cash and cash equivalents		
<u>Current</u>		
Trust account (refer to note 24)	39	30
	<u>39</u>	<u>30</u>
<u>Non-current</u>		
Accrued salaries suspense account ^(a)	16	0
	<u>16</u>	<u>0</u>
	<u>55</u>	<u>30</u>

(a) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

15. Receivables

<u>Current</u>		
Receivables	271	226
Other receivables	54	39
GST receivable	13	13
Prepayments	<u>71</u>	<u>76</u>
Total current	<u>409</u>	<u>354</u>

The Department has a significant exposure to the Gaming and Wagering Commission of Western Australia. The Commission is expected to settle its debt of \$195,570 (2005: \$203,163) in due course.

See also note 3(n) 'Receivables' and note 30 'Financial instruments'.

16. Amounts receivable for services

Current	330	200
Non-current	<u>1,151</u>	<u>962</u>
	<u>1,481</u>	<u>1,162</u>

Represents the non-cash component of service appropriations. See note 3(m) 'Amounts Receivable for Services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

	2006	2005
	\$000	\$000
17. Plant and equipment		
Furniture equipment		
At cost	468	464
Accumulated depreciation	(331)	(295)
Accumulated impairment losses	0	0
	<u>137</u>	<u>169</u>
Computing equipment		
At cost	1,066	1,110
Accumulated depreciation	(828)	(944)
Accumulated impairment losses	0	0
	<u>238</u>	<u>166</u>
Sub-total	<u>375</u>	<u>335</u>
Add: Work in progress	<u>91</u>	<u>62</u>
Total	<u><u>466</u></u>	<u><u>397</u></u>

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting period are set out below.

	Furniture equipment	Computing equipment	Work in progress	Total
	\$000	\$000	\$000	\$000
2006				
Carrying amount at start of year	169	166	62	397
Additions	7	145	81	233
Disposals	0	0	0	0
Transfer	0	41	(52)	(11)
Impairment losses ^(a)	0	0	0	0
Impairment losses reversed ^(a)	0	0	0	0
Depreciation	(39)	(114)	0	(153)
Carrying amount at end of year	<u>137</u>	<u>238</u>	<u>91</u>	<u>466</u>

	Furniture equipment	Computing equipment	Work in progress	Total
	\$000	\$000	\$000	\$000
2005				
Carrying amount at start of year	210	907	117	1,234
Additions	0	0	62	62
Disposals	0	0	0	0
Transfer	0	(631)	(117)	(748)
Impairment losses ^(a)	0	0	0	0
Impairment losses reversed ^(a)	0	0	0	0
Depreciation	(41)	(110)	0	(151)
Carrying amount at end of year	<u>169</u>	<u>166</u>	<u>62</u>	<u>397</u>

(a) Recognised in the Income Statement.

	2006 \$000	2005 \$000
18. Intangible assets		
Computer software		
At cost	2,429	2,464
Accumulated amortisation	(2,063)	(1,849)
Accumulated impairment losses	0	0
	<u>366</u>	<u>615</u>
Reconciliation		
Computer software		
Carrying amount at start of year	615	0
Additions	0	142
Disposals	0	0
Transfer	11	748
Revaluation increments	0	0
Impairment losses recognised in Income Statement	0	0
Impairment losses reversed in Income Statement	0	0
Amortisation expense	(260)	(275)
Carrying amount at end of year	<u>366</u>	<u>615</u>

19. Impairment of assets

There were no indications of impairment to plant and equipment, and intangible assets at 30 June 2006.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

All surplus assets at 30 June 2006 have been written-off.

20. PayablesCurrent

Trade payables	33	139
Other payables	0	0
	<u>33</u>	<u>139</u>

See also note 3(o) 'Payables' and note 30 'Financial instruments'.

	2006 \$000	2005 \$000
21. Provisions		
<u>Current</u>		
Employee benefits provision		
Annual leave ^(a)	27	74
Long service leave ^(b)	418	356
	<u>445</u>	<u>430</u>
Other provisions		
Employment on-costs ^(c)	45	46
Restoration costs ^(d)	0	0
	<u>45</u>	<u>46</u>
	<u>490</u>	<u>476</u>
<u>Non-current</u>		
Employee benefits provision		
Long service leave ^(b)	393	383
	<u>393</u>	<u>383</u>
Other provisions		
Employment on-costs ^(c)	40	40
Restoration costs ^(d)	32	0
	<u>72</u>	<u>40</u>
	<u>465</u>	<u>423</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of reporting date	27	74
More than 12 months after reporting date	0	0
	<u>27</u>	<u>74</u>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of reporting date	418	356
More than 12 months after reporting date	393	383
	<u>811</u>	<u>739</u>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense is included in note 11 'Other expenses'.

(d) At the termination of the lease, the Department has a legal or equitable or constructive obligation to dismantle and restore the property at Level 1, Hyatt Centre, East Perth. The total restoration cost is estimated at \$200,000. The present value of the cost for the year 2006 is \$32,000. The associated expense is included in note 11 'Other expenses'.

Movements in Other Provisions

Movements in the following provisions during the financial year, other than employee benefits, are set out below.

Restoration costs provisions

Carrying amount at start of year	0	0
Additional provisions recognised	32	0
Payments/other sacrifices of economic benefits	0	0
Unwinding of the discount	0	0
Carrying amount at end of year	<u>32</u>	<u>0</u>

Employment on-cost provision

Carrying amount at start of year	86	87
Additional provisions recognised	0	0
Payments/other sacrifices of economic benefits	(1)	(1)
Unwinding of the discount	0	0
Carrying amount at end of year	<u>85</u>	<u>86</u>

	2006	2005
	\$000	\$000
22. Other liabilities		
<u>Current</u>		
Accrued salaries	95	0
	<u>95</u>	<u>0</u>
Trust account (refer to note 24)	39	30
	<u>39</u>	<u>30</u>
Fees in trust	53	42
	<u>53</u>	<u>42</u>
	<u>187</u>	<u>72</u>

23. Equity

Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community.

Contributed equity

Balance at the start of the year	454	454
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Contributions by owners

Capital contribution	0	0
Total contributions by owners	<u>0</u>	<u>0</u>

Balance at the end of the year	<u>454</u>	<u>454</u>
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Accumulated surplus/(deficit) (Retained earnings)

Balance at the start of the year	2,682	2,274
Result for the period	359	408
Income and expense recognised directly to equity	<u>0</u>	<u>0</u>
Balance at the end of the year	<u>3,041</u>	<u>2,682</u>

24. Indian Ocean Territories reimbursement trust fund

The Indian Ocean Territories Reimbursement Trust Fund was established in March 1996 and became operational in July 1996.

The purpose of this trust fund is to hold monies received from the Commonwealth, for services provided by the Department in relation to the regulation of liquor and gaming operations on Christmas Island. The balance of the trust fund at the end of the financial year is held in the Department's operating account.

The figures presented below for the Trust Fund have been prepared on a cash basis.

Balance at the start of the year	30	28
Receipts	73	72
Payments	<u>(64)</u>	<u>(70)</u>
Balance at the end of the year	<u>39</u>	<u>30</u>

The closing balance for the year 2006 includes unexpended funds for liquor licensing services (\$28,167), casino and gaming (\$11,240).

2006	2005
\$000	\$000

25. Notes to the Cash Flow StatementReconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents	1,893	1,688
Restricted cash and cash equivalents (refer to note 14)	55	30
	<u>1,948</u>	<u>1,718</u>

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	(3,069)	(3,044)
Non-cash items:		
Depreciation and amortisation expense	413	426
Superannuation expense	17	87
Resources received free of charge	138	145
Non-cash work in progress accruals	0	(52)
<u>(Increase)/decrease in assets:</u>		
Current receivables	(42)	(9)
<u>Increase/(decrease) in liabilities:</u>		
Current payables	(55)	(18)
Current provisions	14	125
Accrued salaries	95	(152)
Non-current provisions	41	(70)
Net GST receipts/(payments)	1	5
Change in GST in receivables/payables	(3)	2
Net cash provided by/(used in) operating activities	<u>(2,450)</u>	<u>(2,555)</u>

26. CommitmentsCapital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	0	7
Later than 1 year and not later than 5 years	0	0
Later than 5 years	0	0
	<u>0</u>	<u>7</u>

The capital commitments include amounts for:

Furniture and computing equipment	<u>0</u>	<u>7</u>
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	2006	2005
	\$000	\$000
26. Commitments (contd)		
<u>Non-cancellable operating lease commitments</u>		
Commitments for minimum lease payments are payable as follows:		
Within 1 year	567	38
Later than 1 year and not later than 5 years	1,628	24
Later than 5 years	0	0
	<u>2,195</u>	<u>62</u>

Non-cancellable lease commitments include property and motor vehicle leases. The property lease is a non-cancellable lease with a five year term. Contingent rent provisions within the lease agreement require that the minimum lease payable shall be increased by 3.5% per annum. An option exists to renew the lease at the end of the five year term for an additional term of three years.

Other expenditure commitments

There were no other material commitments as at 30 June 2006.

27. Remuneration of senior officers

Remuneration

The number of senior officers, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$		
30,0001 - 40,000	1	0
40,0001 - 50,000	1	0
70,0001 - 80,000	1	0
90,0001 - 100,000	1	1
100,0001 - 110,000	1	0
120,0001 - 130,000	1	2
130,0001 - 140,000	0	1
140,0001 - 150,000	0	1
150,0001 - 160,000	1	0
170,0001 - 180,000	0	1
180,0001 - 190,000	1	0
200,0001 - 210,000	0	1
210,0001 - 220,000	1	0
	<u>9</u>	<u>7</u>

The total remuneration of senior officers is: 1,048 1,000

Senior officers include the third level of management.

The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.

No senior officers are members of the Pension Scheme.

28. Remuneration of auditor

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	<u>47</u>	<u>43</u>
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29. Explanatory statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Fund Appropriations and Income Estimates' are shown below. Significant variations are considered to be those greater than 10% or \$100,000.

Significant variances between estimate and actual for 2006 - Total appropriation to deliver services:

Although there was no significant variance in the total appropriation, there was an unfavourable variance of \$276,000 in the total income:

	2006 Estimate \$000	2006 Actual \$000	Variance \$000
Total income	4,726	4,450	(276)

The unfavourable variance of \$276,000 was mainly due to the reduction of \$400,000 in the annual recoup from the Gaming and Wagering Commission of Western Australia as a result of a review of recoupment charges during the year. The impact of this recoup reduction was partly offset by an increase in the liquor fee revenue in the year 2006.

Significant variances between actuals for 2005 and 2006 - Total appropriation to deliver services.

	2006 Actual \$000	2005 Actual \$000	Variance \$000
Total appropriation provided to deliver services for the year	3,273	3,220	53
Total income	4,450	4,419	31

Total appropriation provided to deliver services for the year

No significant variance.

Total income

No significant variance.

Service expenditure

	2006 Actual \$000	2005 Actual \$000	Variance \$000
Service 1 - Evaluation and determination of applications	3,460	3,713	(253)
Service 2 - Compliance audits and inspections	4,059	3,750	309

The decrease in the expenditure of Service 1 was attributable to the following:

(a) a change in the cost allocation percentage from Service 1 to Service 2 as a result of office restructure during the year.

The increase in the expenditure of Service 2 was attributable to the following:

(a) filling of vacant positions;
 (b) an increase in the capital user charge; and
 (c) a change in the cost allocation percentage from Service 1 to Service 2 as a result of office restructure during the year.

29. Explanatory statement (contd)

Significant variances between estimate and actual for 2006 - Capital Contribution: No variances.

Significant variances between actuals for 2005 and 2006 - Capital Contribution:

No capital contribution was received. Funding for capital expenditure was made through the drawdown of the holding account.

Significant variances between actuals for 2005 and 2006 - Total administered transactions:

	2006 Actual \$000	2005 Actual \$000	Variance \$000
Administered grants and transfer payments	87,540	74,330	13,210
Amount Authorised by Other Statutes - Liquor Licensing Act 1988	1,892	3,888	(1,996)
	<u>89,432</u>		

Administered Grants and Transfer Payments

The claims lodged were significantly higher than expected.

Amount Authorised by Other Statutes - Liquor Licensing Act 1988

The claims lodged were significantly lower than anticipated.

Significant variances between actuals for 2005 and 2006 - Administered income:

	2006 Actual \$000	2005 Actual \$000	Variance \$000
Casino Tax	59,156	51,666	7,490

2006 casino gross revenue was higher than the 2005 revenue.

	2006	2005
	\$000	\$000

30. Financial instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Department are cash and cash equivalents, receivables, and payables. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

Credit risk

All financial assets are unsecured.

Amounts owing by other government agencies are guaranteed and therefore no credit risk exists in respect of those amounts. In addition, receivable balances are monitored on an ongoing basis. There are no significant concentrations of credit risk.

The following is an analysis of amounts owing by other government agencies:

Western Australian Government agencies	270	219
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Liquidity risk

The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

(b) Financial Instrument Disclosures

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosures of Financial Instruments'. Financial instrument information from 1 July 2005 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. See also note 3(t) 'Comparative figures'.

Interest Rate Risk Exposure

The Department's exposure to interest rate risk is nil as the relevant financial instruments are all non-interest bearing.

Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

2006	2005
\$000	\$000

31. Contingent liabilities and contingent assets

The Department is not aware of any contingent liabilities and contingent assets as at balance sheet.

32. Events occurring after the balance sheet date

The Department is not aware of any matters or circumstances that have arisen since the end of the financial year to the date of this report which has significantly affected or may significantly affect the activities of the Department, the results of those activities or the state of affairs of the Department in the ensuing or any subsequent year.

33. Related bodies

Nil

34. Affiliated bodies

Nil

35. Supplementary financial informationWrite-Offs

Public property, revenues and debts due to the State, written off in accordance with section 45 of the Financial Administration and Audit Act (1985):

	2006	2005
	\$	\$
Liquor licence penalties written off by the Accountable Officer	7,970	8,985
Revenues and debts written off by the Accountable Officer	2,750	2,320
	<u>10,720</u>	<u>11,305</u>

Losses Through Theft, Defaults and Other Causes

Cash shortages	<u>5</u>	<u>0</u>
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	2006	2005
	\$000	\$000
36. Administered expenses and income		
Expenses		
Transfer payments for liquor subsidies and gambling tax rebates	89,432	78,218
Receipts paid into Consolidated Fund	<u>58,587</u>	<u>51,367</u>
Total administered expenses	<u>148,019</u>	<u>129,585</u>
Income		
Appropriations for liquor subsidies and gambling tax rebates	89,432	78,218
Taxes collected under the Casino (Burswood Island) Agreement Act 1985	<u>59,156</u>	<u>51,666</u>
Total administered income	<u>148,588</u>	<u>129,884</u>
37. Administered assets and liabilities		
Assets		
Current		
Cash and cash equivalents	6,322	0
Receivables	<u>4,770</u>	<u>4,201</u>
Total Administered Assets	<u>11,092</u>	<u>4,201</u>
Liabilities		
Current		
Payables	6,322	0
Fees in trust	<u>0</u>	<u>0</u>
Total Administered Liabilities	<u>6,322</u>	<u>0</u>

Administered items have been reviewed for compliance with AIFRS. No adjustments were required.

Payables represent deferral of capital grant payments to Racing and Wagering Western Australia.

38. Contingent administered assets

The following are the contingent administered assets in addition to the administered assets included in the financial statements:

Litigation in progress

The Department has filed a number of claims that have yet to be finalised. The potential financial effect of the success of the claims cannot be reliably measured at this time.

Financial penalties resulting from these claims will be paid directly to the Crown.

39. Reconciliations explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

RECONCILIATION OF EQUITY AT THE DATE OF TRANSITION TO AIFRS: 1 JULY 2004 (AASB 1.39(a)(i))

	Previous GAAP 1 July 2004	Adjustments	Total Adjustments	AIFRS 1 July 2004
	\$000	AASB 101 39.3a \$000	AASB 138 39.1a \$000	\$000
ASSETS				
Current Assets				
(1) Cash and cash equivalents	1,472			1,472
Restricted cash and cash equivalents	240			240
Receivables	287	74	74	361
(2) Amounts receivable for services	30			30
(3) Other current assets	74	(74)	(74)	0
(4) Non-current assets classified as held for sale	0			0
Total Current Assets	2,103	0	0	2,103
Non-Current Assets				
Restricted cash and cash equivalents	0			0
(2) Amounts receivable for services	630			630
Plant and equipment	1,234		(661)	573
Intangible assets	0		661	661
(5) Other non-current assets	0			0
Total Non-Current Assets	1,864	0	0	1,864
TOTAL ASSETS	3,967	0	0	3,967

RECONCILIATION OF EQUITY AT THE DATE OF TRANSITION TO AIFRS: 1 JULY 2004 (AASB 1.39(a)(i))

	Previous GAAP 1 July 2004	Adjustments	Total Adjustments	AIFRS 1 July 2004
	\$000	AASB 101 39.3a \$000	AASB 138 39.1a \$000	\$000
LIABILITIES				
Current Liabilities				
Payables	161			161
Provisions	352			352
(6) Other current liabilities	232			232
(4) Liabilities directly associated with non-current assets classified as held for sale				
Total Current Liabilities	0			0
Non-Current Liabilities	745	0	0	745
Payables	0			0
Provisions	494			494
(7) Other non-current liabilities	0			0
Total Non-Current Liabilities	494	0	0	494
TOTAL LIABILITIES	1,239	0	0	1,239
NET ASSETS	2,728	0	0	2,728
Equity				
Contributed equity	454			454
Accumulated surplus/ (deficiency)	2,274			2,274
(4) Amounts recognised directly in equity relating to non-current assets classified as held for sale	0			0
TOTAL EQUITY	2,728	0	0	2,728

(1) Equivalent AGAAP line item 'Cash Assets' (AIFRS 'Cash and Cash Equivalents')
 (2) Equivalent AGAAP line item 'Amounts receivable for outputs' (AIFRS 'Amounts receivable for services')
 (3) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Current assets')
 (4) New AIFRS category
 (5) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Other non-current assets')
 (6) Equivalent AGAAP line item 'Other liabilities' (AIFRS 'Other current liabilities')
 (7) Equivalent AGAAP line item 'Other liabilities' (AIFRS 'Other non-current liabilities')

RECONCILIATION OF EQUITY AT THE END OF THE LAST REPORTING PERIOD UNDER PREVIOUS AGAAP: 30 JUNE 2005 (AASB 1.39(a)(ii))

	GAAP 30 June 2005	Adjustments	Total Adjustments	AIFRS 30 June 2005
	\$000	\$000	\$000	\$000
ASSETS				
Current Assets				
(1) Cash and cash equivalents	1,688			1,688
Restricted cash and cash equivalents	30			30
Receivables	278	76	76	354
(2) Amounts receivable for services	200			200
(3) Other current assets	76	(76)	(76)	0
(4) Non-current assets classified as held for sale	0			0
Total Current Assets	2,272	0	0	2,272
Non-Current Assets				
Restricted cash and cash equivalents	0			0
(2) Amounts receivable for services	962			962
Plant and equipment	1,012	(615)	(615)	397
Intangible assets	0	615	615	615
(5) Other non-current assets	0			0
Total Non-Current Assets	1,974	0	0	1,974
TOTAL ASSETS	4,246	0	0	4,246

Note

- (1) Cash and cash equivalents
- (2) Amounts receivable for services
- (3) Other current assets
- (4) Non-current assets classified as held for sale
- (5) Other non-current assets

RECONCILIATION OF EQUITY AT THE END OF THE LAST REPORTING PERIOD UNDER PREVIOUS AGAAP: 30 JUNE 2005 (AASB 1.39(a)(ii))

	GAAP		Total Adjustments		AIFRS
Note	30 June 2005	Adjustments	30 June 2005	Adjustments	30 June 2005
	\$000	\$000	\$000	\$000	\$000
LIABILITIES					
Current Liabilities					
Payables	139				139
Provisions	335				476
Other current liabilities	72		141	141	72
(6) Liabilities directly associated with non-current assets classified as held for sale					
Total Current Liabilities	0				0
	546	0	0	141	687
Non-Current Liabilities					
Payables	0				0
Provisions	564		(141)	(141)	423
Other non-current liabilities	0				0
(7) Total Non-Current Liabilities	564	0	0	(141)	423
TOTAL LIABILITIES	1,110	0	0	0	1,110
NET ASSETS	3,136	0	0	0	3,136
Equity					
Contributed equity	454				454
Accumulated surplus/ (deficiency)	2,682				2,682
(4) Amounts recognised directly in equity relating to non-current assets classified as held for sale	0				0
TOTAL EQUITY	3,136	0	0	0	3,136

The transition to AIFRS includes adjustments for the transition AIFRS as at 1 July 2004 plus adjustments for the period 1 July 2004 to 30 June 2005.

- (1) Equivalent AGAAP line item 'Cash Assets' (AIFRS 'Cash and Cash Equivalents')
- (2) Equivalent AGAAP line item 'Amounts receivable for outputs' (AIFRS 'Amounts receivable for services')
- (3) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Current assets')
- (4) New AIFRS category
- (5) Equivalent AGAAP line item 'Other Assets' (AIFRS 'Other non-current assets')
- (6) Equivalent AGAAP line item 'Other liabilities' (AIFRS 'Other current liabilities')
- (7) Equivalent AGAAP line item 'Other liabilities' (AIFRS 'Other non-current liabilities')

RECONCILIATION OF INCOME STATEMENT (PROFIT OR LOSS) FOR THE YEAR ENDED 30 JUNE 2005 (AASB 1.39(b))

	GAAP 30 June 2005	Adjustments	Total Adjustments	AIFRS 30 June 2005
	\$000	\$000	\$000	\$000
		Reclassification		
		AASB 119		
		39.2b		
		\$000	\$000	\$000
COST OF SERVICES				
Expenses				
(1) Employee benefits expense	5,208	22	24	5,232
(2) Supplies and services	1,073	(33)	(33)	1,040
Depreciation and amortisation expense	426			426
Capital user charge	235			235
Accommodation expenses	510			510
(4) Other expenses	11	11	9	20
Total cost of services	7,463	0	0	7,463

Note

- (1) Employee benefits expense
- (2) Supplies and services
- Depreciation and amortisation expense
- Capital user charge
- Accommodation expenses
- (4) Other expenses

RECONCILIATION OF INCOME STATEMENT (PROFIT OR LOSS) FOR THE YEAR ENDED 30 JUNE 2005 (AASB 1.39(b))

	GAAP 30 June 2005	Adjustments	Total Adjustments	AIFRS 30 June 2005
Income				
Revenue				
User charges and fees				
Other revenue	4,419			4,419
Gains				
Proceeds from disposal of non-current assets				
Gain on disposal of non-current assets				
Gain on disposal of other assets				
Other gains				
Total income other than income from State Government	4,419	0	0	4,419
NET COST OF SERVICES	3,044	0	0	3,044
INCOME FROM STATE GOVERNMENT				
Service appropriation	3,220			3,220
Liabilities assumed by the Treasurer	87			87
Resources received free of charge	145			145
Total Income from State Government	3,452	0	0	3,452
Surplus/(deficit) for the period	408	0	0	408

Note
AASB 119
39.2b
\$000

Reclassification
\$000

\$000

(1) Equivalent AGAAP line item 'Employee expenses' (AIFRS 'Employee benefits expense')
 (2) Supplies and services (AGAAP \$1,073,000 at 30 June 2005) included employment on-costs expenses (AGAAP \$9,000 at 30 June 2005)
 (3) New AIFRS category
 (4) Equivalent AGAAP line item 'Other expenses from ordinary activities' (AIFRS 'Other expenses')
 (5) Equivalent AGAAP line item 'Other revenues from ordinary activities' (AIFRS 'Other revenue')
 (6) Equivalent AGAAP line item 'Change in net assets' (AIFRS 'Surplus/(deficit)')

See Statement of Changes in Equity

RECONCILIATION OF CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005 (AASB 1.40)

Note	GAAP		Reclassification	Total	
	30 June 2005	Adjustments		Adjustments	AIFRS 30 June 2005
	\$000	\$000	AASB 119 39.2c \$000	\$000	\$000
CASH FLOWS FROM STATE GOVERNMENT					
	Service appropriation	2,688			2,688
	Holding account drawdowns	30			30
	Net cash provided by State Government	2,718			2,718
Utilised as follows:					
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
	Employee benefits	(5,293)	(21)	(21)	(5,314)
(1)	Supplies and services	(926)	21	10	(895)
	Capital user charge	(249)			(249)
	Accommodation expenses	(507)			(507)
	GST payments on purchases	(155)			(155)
(1)	Other payments	0		(10)	(10)
Receipts					
	User charges and fees	4,415			4,415
	GST receipts on sales	10			10
	GST receipts from taxation authority	150			150
	Net cash used in operating activities	(2,555)			(2,555)
CASH FLOWS FROM INVESTING ACTIVITIES					
	Purchase of non-current physical assets	(154)			(154)
	Payments from fees in trust	(2)			(2)
	Proceeds/(payments) from Trust Fund	2			2
	Net cash used in investing activities	(154)			(154)
CASH FLOWS FROM FINANCING ACTIVITIES					
	Repayment of borrowings	(3)			(3)
	Net cash used in financing activities	(3)			(3)
	Net increase in cash and cash equivalents	6			6
	Cash and cash equivalents at the beginning of period	1,712			1,712
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD					
		1,718			1,718

Adjustments

(1) Employment on-costs payments have been reclassified from supplies and services payments to other payments.

Notes to the reconciliations**Note 39.1 Intangible Assets (AASB 138)**

AASB 138 requires that software not integral to the operation of a computer must be disclosed as intangible assets. Intangible assets must be disclosed on the balance sheet. All software has previously been classified as property, plant and equipment (office equipment).

39.1a Adjustments to opening Balance Sheet (1 July 2004)

The Department has transferred \$661,000 in software from plant and equipment to intangible assets.

39.1b Adjustments to 30 June 2005 Balance Sheet

The Department has transferred \$615,000 in software from plant and equipment to intangible assets.

Note 39.2 Employee Benefits (AASB 119 and AASB 101)

AASB 101 requires that a liability must be classified as current where the entity does not have an unconditional right to defer settlement of the liability for a t least twelve months beyond the reporting date. Consequently, all annual leave and long service leave entitlements (unconditional long service leave) must now be classified as current. Non-vested long service leave liability will be non-current to the extent that it does not become unconditional within 12 months from reporting date.

Employment on-costs are not included in employee benefits under AGAAP or AIFRS. However, under AGAAP employee benefits and on-costs are disclosed together on the face of the Income Statement as Employee costs. Under AIFRS employee benefits will be the equivalent item disclosed on the face. On-costs are transferred to other expenses.

39.2a Adjustments to 30 June 2005 Balance Sheet

All unconditional long service leave previously reported as non-current liability has been reclassified to current liability (\$141,000).

39.2b Adjustments to the Income Statement for the period ended 30 June 2005

Employment on-costs expense has been reclassified from employee benefits expense to other expenses (\$2,000).

39.2c Adjustments to the Cash Flow Statement for the period ended 30 June 2005

Employment on-costs payments have been reclassified from supplies and services payments to other payments (\$10,000).

Note 39.3 Presentation of Financial Statements (AASB 101)

Prepayments are reclassified to receivables in accordance with the disclosure requirements of AASB 101.

39.3a Adjustments to opening Balance Sheet (1 July 2004)

Reclassification of \$74,000 prepayment from other current assets to receivables in accordance with AASB 101 (75)(b).

39.3b Adjustments to 30 June 2005 Balance Sheet

Reclassification of \$76,000 prepayment from other current assets to receivables in accordance with AASB 101 (75)(b).

KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) are required by section 62 of the *Financial Administration and Audit Act 1985* and are provided to assist interested parties such as Government, Parliament and community groups in assessing an agency’s desired outcomes. KPIs measure the efficiency and effectiveness of an agency.

The Department of Racing, Gaming and Liquor operates under the broad high level government strategic governance goal to “...govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future”.

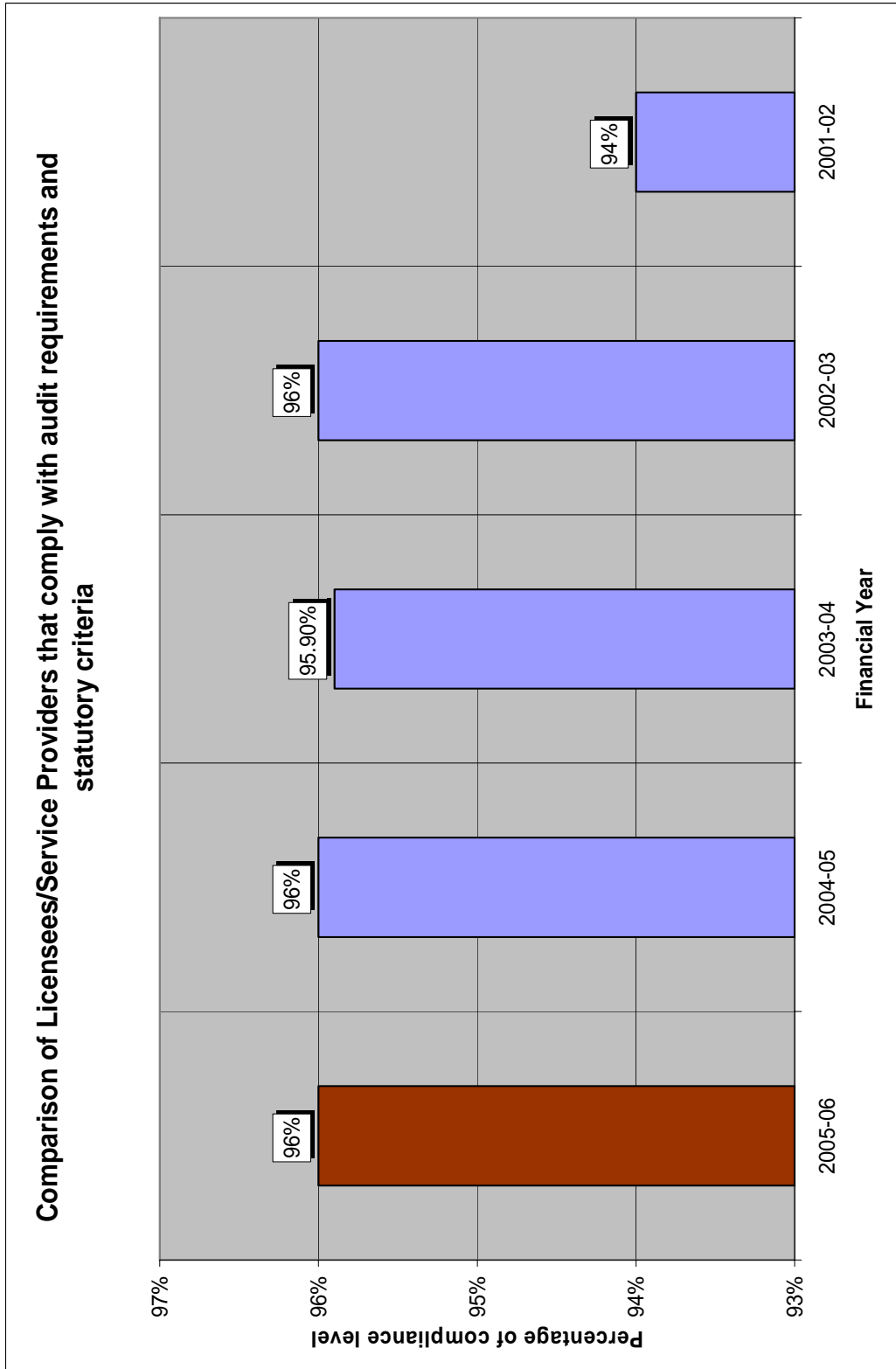
Agency Level Government Desired Outcome and Key Effectiveness Indicator

Desired Outcome: To promote, monitor and enforce responsible and lawful gambling and liquor services in accordance with the legislation

	2005-06 Target	2005 -06 Actual	Reason for Significant Variance
Licensees/ service providers that comply with audit requirements and statutory criteria ⁹	96%	96%	(see endnote 10, at page 111)

Conducting compliance audits and inspections ensure the promotion, monitoring and enforcement of responsible and lawful gambling and liquor services. Effectiveness can be measured by the percentage of licensees and service providers that complied with audit requirements and statutory criteria. In this regard, the higher the percentage of compliance, the more effective the enforcement programs.

Trend in Performance of Key Effectiveness Indicator over time



Service 1: Licensing – Evaluation and determination of applications

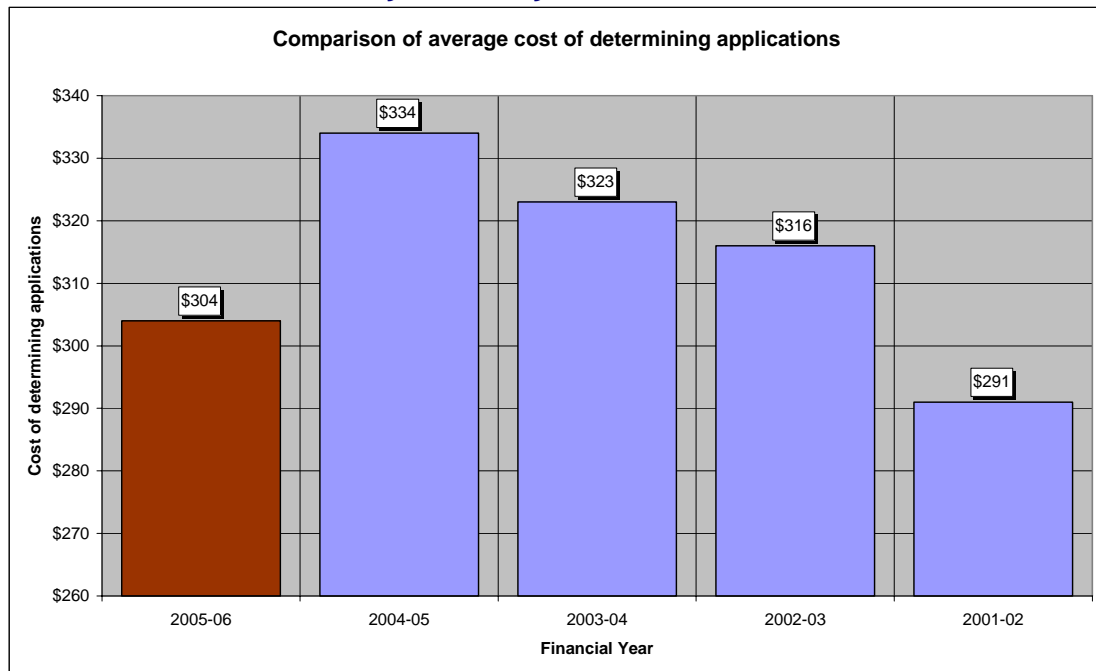
Service Description: Receive, process and determine applications in accordance with the legislation.

Key Efficiency Indicator

	2005 -06 Target	2005-06 Actual	Reason for Significant Variance
Average cost of determining applications ¹⁰	\$345	\$301	(see endnote 11, at page 111)

The evaluation and determination of applications contributes to promoting, monitoring and enforcing responsible and lawful gambling and liquor services by ensuring that applications comply with the statutory and policy requirements.

Trend in Performance of Key Efficiency Indicator for Service 1 over time



Service 2: Compliance - Audits and Inspections

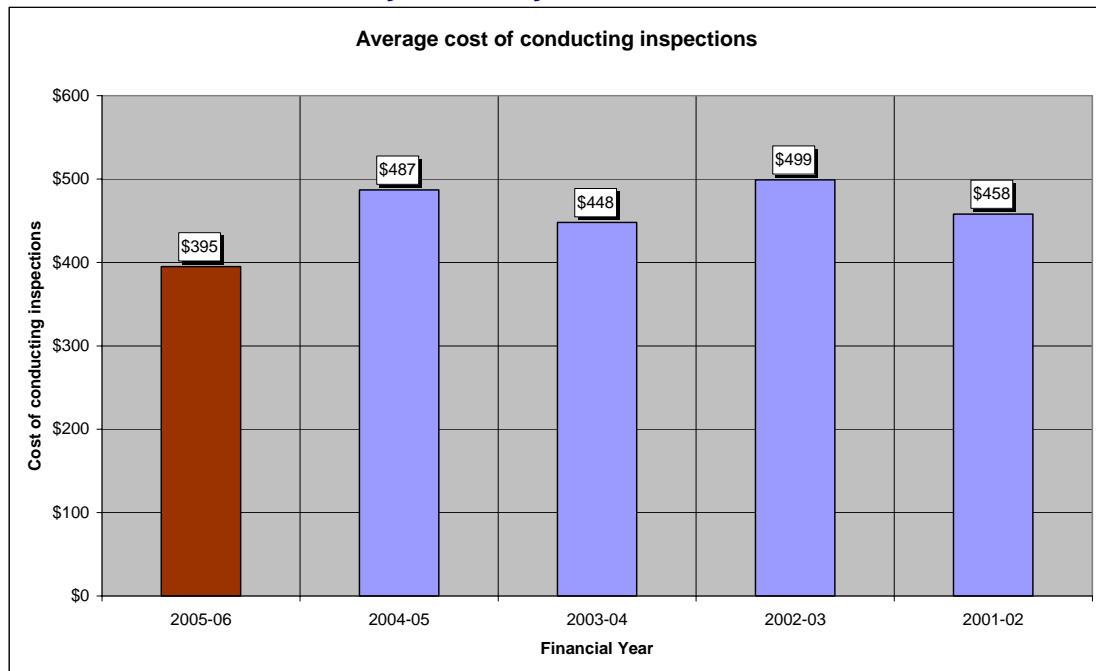
Service Description: Conducts audits and inspections to ensure that the service of gambling and liquor is conducted in a responsible and lawful manner.

Key Efficiency Indicator

	2005-06 Target	2005-06 Actual	Reason for Significant Variance
Average cost of conducting inspections ¹¹ .	\$515	\$391	(see endnote 12, at page 111)

By conducting compliance audits and inspections, the Department of Racing, Gaming and Liquor ensures the promotion, monitoring and enforcement of responsible and lawful gambling and liquor services.

Trend in Performance of Key Efficiency Indicator for Service 2 over time



CERTIFICATION OF KEY PERFORMANCE INDICATORS For the Year Ended 30 June 2006

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of the Department of Racing, Gaming and Liquor, and fairly represent the performance of the Department for the financial year ended 30 June 2006.



Barry A Sargeant
DIRECTOR GENERAL

28 July 2006

OPINION OF THE AUDITOR GENERAL



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

DEPARTMENT OF RACING, GAMING AND LIQUOR
FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2006

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Department of Racing, Gaming and Liquor at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the Department provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key effectiveness and efficiency performance indicators of the Department are relevant and appropriate to help users assess the Department's performance and fairly represent the indicated performance for the year ended 30 June 2006.

Scope

The Director General is responsible for keeping proper accounts and maintaining adequate systems of internal control, for preparing the financial statements and performance indicators, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Schedule of Expenses and Revenues by Service, Summary of Consolidated Fund Appropriations and Income Estimates, and the Notes to the Financial Statements.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and performance indicators.

JOHN DOYLE
ACTING AUDITOR GENERAL
31 August 2006

CONTACTING THE DEPARTMENT

The Department of Racing, Gaming and Liquor's customer service area is located at:

- Level 1, 87 Adelaide Terrace
East Perth, 6004
Western Australia

Where the stairs at 87 Adelaide Terrace present a barrier for people with disabilities, alternative access may be obtained by utilising the elevator located on the ground floor at 3 Plain Street.

The Department's postal address is:

- Department of Racing, Gaming and Liquor
PO Box 6119
East Perth, 6892
WESTERN AUSTRALIA

Telephone contact numbers for the Department are:

- Main Switchboard number: **08 9425 1888**
- Toll-free number for country callers: **1800 634 451**
- After hours message bank: **08 9425 1827**
- Casino Inspectorate: **08 9362 7648** or **08 9362 7650**

Facsimile numbers for the Department are:

- Licensing Branch: 08 9325 1041
- Inspections Branch: 08 9221 7108
- Casino Inspectorate: 08 9362 7798
- Director General: **08 9325 1636**

The Department's **Public Interest Disclosure Officer**, Ms Dorothy McLauchlin, can be contacted on telephone number 08 9425 1802.

The Department's **website** can be accessed at www.rgl.wa.gov.au and **e-mail enquiries** can be addressed to rgl@rgl.wa.gov.au.

END NOTES

- ¹ The Department's reporting year does not correlate with the racing year, which runs from 1 August to 31 July each year. Therefore, these figures do not represent a full reporting year. Figures for the whole racing year will be provided in the *2006 Racing Industry Status Report*, which will be published later in the year.
- ² The sqm of the office has not changed since the baseline measurement was made.
- ³ 2005-06 figures are based on 98 FTEs, as opposed to an FTE baseline of 101 for 2002-03.
- ⁴ This policy is consistent with the principle of net appropriations. The Department of Racing, Gaming and Liquor is working towards full cost recovery for the services provided.
- ⁵ This is consistent with advice from the Solicitor General regarding the desirability for fees raised at State level to be regulatory in nature.
- ⁶ This policy has been adopted to ensure that the Parliament has the opportunity to scrutinise any changes to the level of fees, while allowing some flexibility to adjust levels of fees according to the current economic situation. As the opportunity arises, legislation will be amended to reflect this approach.
- ⁷ The Department will be responsible for ensuring that its regulatory services are efficient, effective and appropriate.
- ⁸ Expenditure in relation to the services provided to these agencies is included in these Financial Statements. However, as those agencies are statutory authorities, separate annual reports and, therefore, separate Financial Statements, are prepared for each agency.
- ⁹ The Key Effectiveness Indicator is calculated by determining the number of licensees/service providers that complied with audit requirements and statutory criteria as a percentage of the number of audits/inspections conducted during the year.
- ¹⁰ The Efficiency Indicator for this activity is derived by dividing the cost allocation for the activity by the number of licensees and permits issued. During the 2005-06 reporting year, a lower average cost of determining applications was achieved as a result of 395 more applications being determined than in the previous year.
- ¹¹ The cost of inspections can change for each reporting year as a result of increases or reductions in the number of inspections carried out. For the 2004-05 reporting year, the \$487 cost established per inspection saw an increase of \$39 per inspection from 2003-04. There was a reduction in staff due to a number of retirements and delay in recruiting replacement staff during 2005-06.