



Tasmanian Audit Office

Report of the Auditor-General No. 13 of 2016-17

Gambling revenue and
managing harm from gambling

Summary Report

June 2017

INTRODUCTION

Gambling is the wagering of money or something of value on an event with an uncertain outcome with the primary intent of winning money or material goods. Gambling takes many forms, ranging from small fund-raising raffles on behalf of charitable organisations to sophisticated table games at licensed casinos.

Figure 1 shows that Australians spent more than \$22.7b on gambling in 2014-15 of which more than half, \$11.6b was spent on electronic gaming machines (EGMs) in hotels and clubs.

Figure 1: Total Australian Gambling Expenditure (\$b)

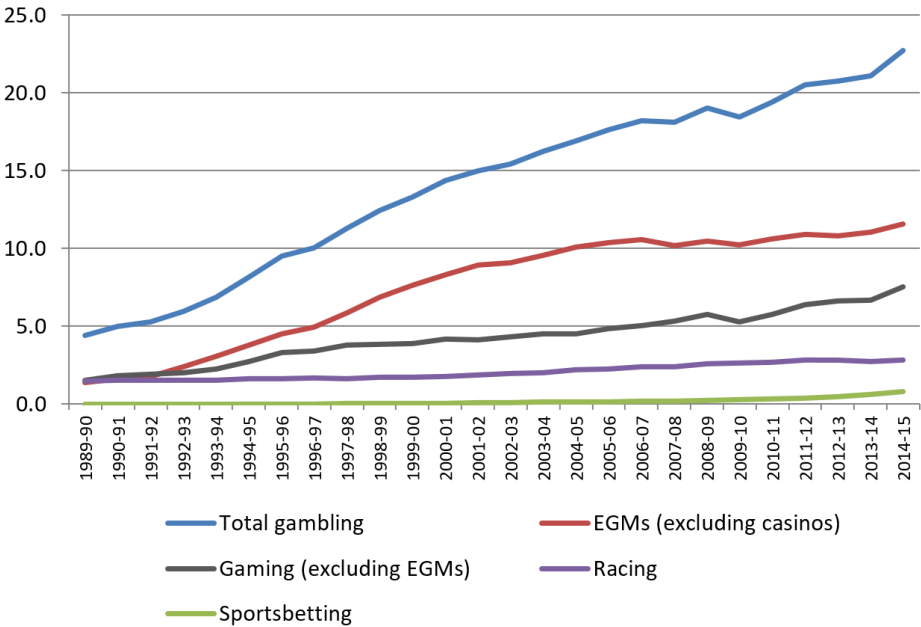
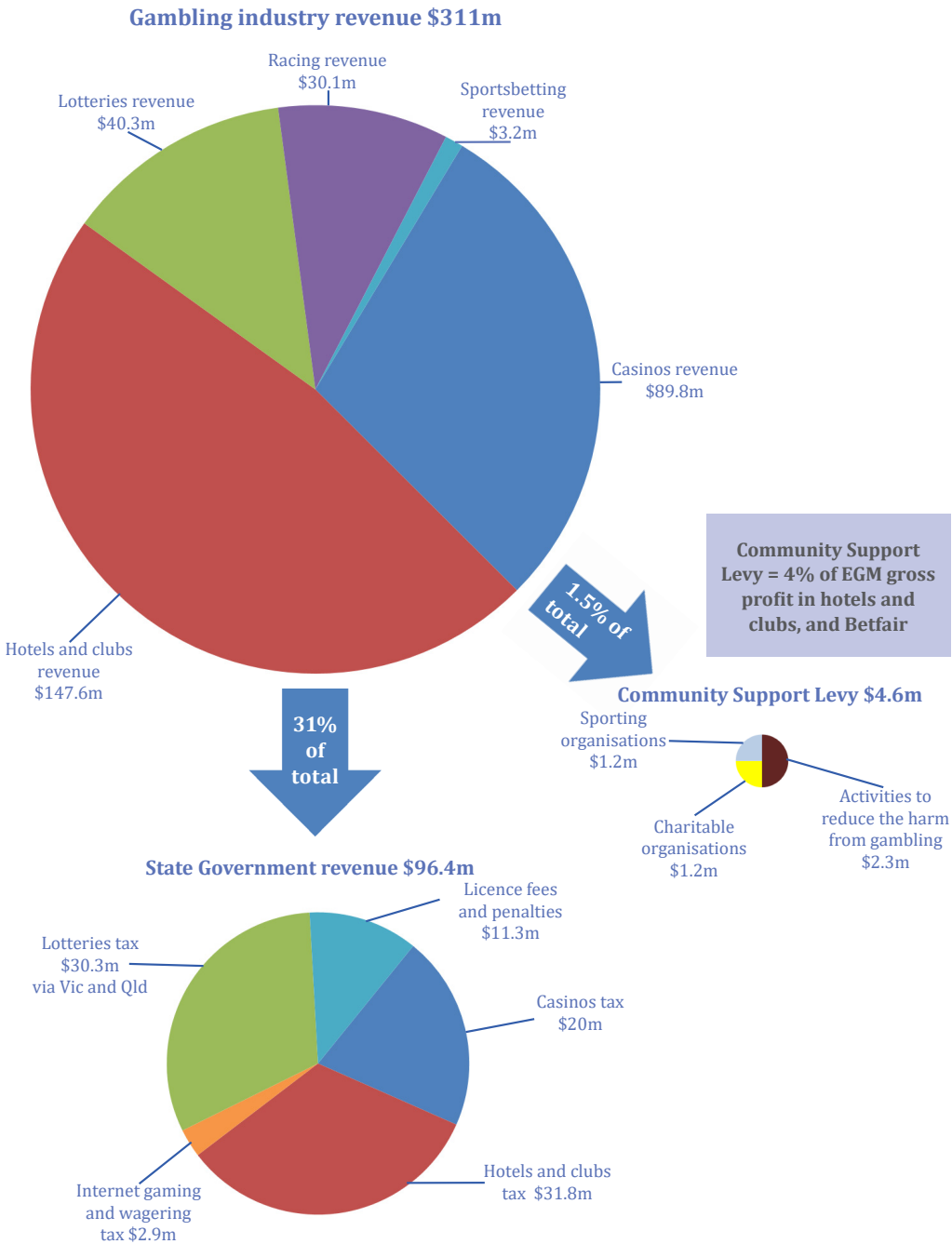


Figure 2 shows the proportions of State Government revenue and Community Support Levy (CSL) collected compared to Tasmanian gambling industry revenue, based on 2015–16 data.

Figure 2: Tasmanian gambling industry revenue 2015-16



Source: Data from TLGC Annual Report 2015-16 and Australian Gambling Statistics 1989-90 to 2014-15, 32nd Edition, Tas 5 Total Racing Expenditure and Tas 35 Total Sportsbetting Expenditure.

Figure 2 shows the:

- Tasmanian Government collected \$96.4m in taxation and fees from locally controlled EGMs, keno, casino, internet gaming, wagering and lotteries
- largest portion of government revenue was earned from taxation and fees associated with EGMs and TASkeno in hotels and clubs, \$31.8m of which 93% relates to EGMs
- Community Support Levy (CSL) was \$4.6m of which \$2.3m or 50% was specifically for the purpose of funding activities to reduce the risk of harm from gambling. This equated to 0.7% of total gambling industry revenue.

EGMs in Tasmania

EGMs existed in the 2 casinos since 1986 and in 1993 the State Government allowed the rollout of EGMs into hotels and clubs. The Federal Group (Federal) was given the exclusive rights to operate all the new EGMs in an agreement with the State Government to install approx. 2 200 EGMs in 50 hotels and clubs. This was in addition to the 1 100 EGMs operating in the casinos.

In 2003, an extension was granted to Federal to allow additional EGMs in hotels and clubs and there are now 2 375 EGMs in 97 venues around the State. The number of EGMs per venue is limited to 30 per hotel and 40 per club.

State-wide the maximum number of EGMs allowed is 3 680 with the maximum allowed in hotels and clubs being 2 500. Casinos account for 1 185 EGMs.

The current agreement between the Tasmanian Government and Federal which commenced in 2003 is for 15 years. From 2018, the agreement becomes a 5-year rolling term. The Minister is required to provide 4 years notice of non-renewal, therefore the earliest the agreement can end is 2023 if the Minister provides notice by 2019.

Harm related to gambling

Problem gambling is behaviour characterised by difficulties limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.

We refer to moderate and high risk gamblers as problem gamblers because, as a group, they are distinct in their experience of depression, disruptions to family life, work and study and incur substantial debts. Both the Productivity Commission and the Social and Economic Impact Study identified that the severity of risk of harm from gambling is best described as a continuum.

To allow meaningful comparisons our report aggregates moderate and high risk behaviour as problem gambling.

The Australian Government estimated that the actions of 1 problem gambler negatively impacts the lives of between 5 and 10 others, including family, friends and employers. Therefore, there are up to 5 million Australians who could be affected by problem gambling each year.

In 2013, 61% of all adult Tasmanians participated in some form of gambling with 2.4% assessed to be problem gamblers. Therefore, there are more than 9 600 problem gamblers in Tasmania and between 48 000 and 96 000 (potentially up to 1 in 5) Tasmanians who could be impacted by problem gambling each year.

In addition to their financial losses, problem gamblers are 6 times more likely to be divorced, 4 times more likely to have problems with alcohol and 4 times more likely to smoke as non-problem gamblers. They also find it hard to hold down a job, struggle to maintain relationships and are more likely to suffer mental and physical health issues than non-gamblers, all of which increase demands on social services yet only 15% of problem gamblers seek help.

Money spent on gambling reduces the capacity to pay bills, support other businesses, secure housing, or fund healthy activities for children and families. The social cost of problem gambling

in Tasmania is estimated to be at least \$100m including the impact on families, employers and the community.

In recognition of the potential for harm from gambling, the government, through the *Gaming Control Act 1993* (the Act), implemented 2 sets of measures to help minimise harm from the introduction of EGMs in hotels and clubs:

1. requirements on the Department of Treasury and Finance (Treasury) to collect the CSL - introduced in 1993
2. requirements on the gambling industry to promote responsible gambling - introduced in 2012.

One of the requirements of the Act was the implementation of 10 harm minimisation measures through the Tasmanian Liquor and Gaming Commission's (TLGC) Responsible Gambling Mandatory Code of Practice for Tasmania (Code) in 2012.

Community Support Levy

The CSL is the only funding source available to the community provided by the State Government for the purpose of funding activities to reduce the risk of harm from problem gambling. The CSL was established:

- in recognition that an increase in the number and location of EGMs in the community may diminish traditional fundraising activities
- to fund programs and activities for the purpose of reducing the risk of harm from gambling.

The Act sets the CSL at 4% of EGM gross profits in hotels and clubs plus Betfair (it excludes casino EGMs). In 2015-16, the CSL collected was \$4.6m, which represented 4.6% of the estimated \$100m social cost of problem gambling.

The TLGC performs a strategic oversight function in respect to the CSL by overseeing the administration of the CSL, including recommending and reporting of annual budgets to the Treasurer.

Gambling regulation and licencing in Tasmania

The regulation and licensing of gaming in Tasmania is controlled by the Act. It covers gaming machines, keno, casino gaming, totalisator wagering, sports betting, interactive gaming and wagering, foreign games permits and minor gaming. The Act also established the TLGC.

The TLGC is an independent body appointed by the Governor and charged with the regulation of gaming and wagering in Tasmania. It is supported in its day-to-day activities by Treasury. The Act confers regulatory powers to the TLGC and the TLGC delegates some of those powers to Treasury to ensure licensed gaming providers and venues adhere to the harm minimisation provisions contained in the legislation. Treasury is accountable to the Treasurer.

AUDIT OBJECTIVE

The objective of the audit was to form conclusions on:

- how effectively Treasury managed the collection of gambling taxes, levies, penalties and licence fees (gambling revenue) and the collection and distribution of the CSL
- how effectively the Department of Premier and Cabinet (DPAC) and the Department of Health and Human Services (DHHS) managed the activities funded by the CSL
- how effective the activities funded by the CSL were in reducing the risk of harm from gambling
- how effectively Treasury managed the enforcement of the Code.

AUDIT SCOPE

The performance audit examined gambling revenue collection, CSL collection and distribution, CSL funded activities and regulatory harm minimisation measures over the period 2011 to 2016. This involved:

- Treasury
- the TLGC
- the Gambling Support Program (GSP) within DHHS
- Non-government organisations (NGOs) that provide services funded by the CSL
- the division of Communities, Sport and Recreation within DPAC (CSR).

KEY FINDINGS

Key findings arising from the audit are:

Are gambling taxes, levies and penalties collected effectively?

Gambling revenue due under the Act is collected effectively by Treasury.

Is the CSL collected effectively?

CSL due under the Act is collected effectively by Treasury.

Is the CSL distributed effectively in accordance with the Act?

CSL due under the Act is distributed effectively by Treasury.

Are the activities funded by the CSL managed effectively?

All activities funded by the CSL:

- are adequately reported
- are adequately monitored except:
 - the grants program for sport and recreation requires improved documentation of the risk assessment process applied to inspections for major grants
 - the grants program for charitable organisations
- employ set targets and performance measures with the exception of the Gamblers' Help suite of services provided under the GSP where the targets and performance measures are not adequate and do not align with SMART (Specific, Measurable, Achievable, Relevant, Time-based) criteria
- are managed effectively except:
 - grants to charitable organisations:
 - no risk management process is in place
 - a number of the projects were incomplete in respect of acquittal.

Are the activities funded by the CSL reducing the risk of harm from gambling?

- All activities funded by the CSL are based on appropriate and robust research and analysis.
- No conclusion can be made as to whether activities funded by the CSL to reduce the risk of harm from gambling are achieving the intended outcomes as the evidence is insufficient for us to form an opinion. The Productivity Commission identified that difficulties arising from the nature of problem gambling, such as stigma, deceit, and irrational beliefs that the next wager will solve any problems, means sufferers are unlikely to identify themselves. Therefore, no reliable measurements of the prevalence measures exist from which to determine the extent to which a service has contributed to reducing the risk of harm from gambling.

Are the harm minimisation measures contained in the Code operating in compliance with the Act?

The harm minimisation measures are operating in compliance with Act except Treasury's inspection program is adequate but behind schedule. The schedule includes 47 instances where inspections are up to 10 months overdue.

RECOMMENDATIONS

The report contains the following recommendations:

Are the activities funded by the CSL managed effectively?

DHHS:

- ensures all charitable grants are adequately monitored, risk assessed and acquitted
- establishes appropriate key performance indicators and targets for the Gamblers Help suite of services

DPAC ensures the risk assessment process applied to inspections of projects under the major grants program is properly documented.

Are the activities funded by the CSL reducing the risk of harm from gambling?

DHHS reviews the Neighbourhood House (NH) model, as it relates to helping people affected by gambling:

- to allow it to better cater for gamblers' need for a 'third place' in the evening
- in relation to the proximity of support facilities to gambling venues.

Are the harm minimisation measures contained in the Code operating in compliance with the Act?

Treasury conducts the inspection program in a timely manner to ensure venues meet their obligations under the Code.

AUDITOR-GENERAL'S CONCLUSION

It is my conclusion that the collection of gambling revenue, the collection and distribution of the CSL and the enforcement of the Code are managed effectively.

Further, the activities funded by the CSL are effectively managed by DPAC, but require improvement by DHHS.

Due to insufficient evidence, I am unable to make any conclusion as to the effectiveness of activities funded by the CSL to reduce the risk of harm from gambling.

For the full report go to:
<http://www.audit.tas.gov.au/publications/reports/specialreport/index.html>



Tasmanian Audit Office

Phone (03) 6173 0900
Fax (03) 6173 0999
email admin@audit.tas.gov.au
Web www.audit.tas.gov.au

Launceston Office
Phone (03) 6173 0971

Address Level 8
144 Macquarie Street, Hobart
Postal Address GPO Box 851, Hobart 7001
Office Hours 9am to 5pm Monday to Friday

Address 2nd Floor, Henty House
1 Civic Square, Launceston