

SUMMARY OF DELIVERY OF REGULATORY PRIORITIES 2017 – 2018



For 2017/2018, Liquor & Gaming NSW (L&GNSW) set nine regulatory priorities. These regulatory priorities were operationally focused and identified where we targeted our compliance and enforcement activities. This report provides a summary of the outcomes L&GNSW delivered against each priority.

Liquor



Targeted oversight of higher risk venues, precincts, displacement areas and regional locations

Despite an overall downward trend in alcohol related violence, we were concerned some higher risk venues were not applying responsible service of alcohol (RSA) and management procedures corresponding to their level of risk to manage alcohol related violence and anti-social behaviour.

We worked closely with the NSW Police Force and used intelligence to target our resources at the venues and areas at highest risk of increases in alcohol related violence.



 Sydney CBD Entertainment Precinct  Kings Cross Precinct  Displacement Areas

We targeted individual venues in metropolitan and regional areas where there was a higher risk of increased alcohol related violence and anti-social behaviour.

At licensed venues L&GNSW has undertaken (including covert inspections)



Taking a risk based approach we delivered

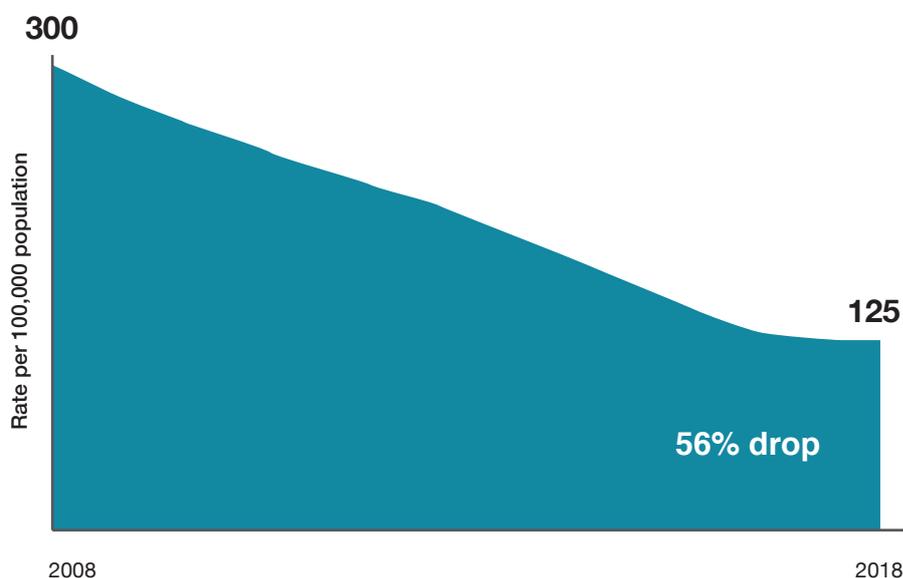


We also used targeted interventions such as directions to restrict liquor promotions or to impose conditions at problem venues in order to influence and improve venue behaviour.

Our work targeting higher risk venues, precincts, displacement areas and regional locations across NSW sent a strong deterrent message to the broader industry about compliance with NSW liquor laws. Assault numbers in these focus areas were largely contained and contributed to the continuing overall decline in alcohol related non domestic assaults across NSW.

The rate of alcohol related assault (non-domestic) in NSW per 100,000 population has decreased by 56% over 10 years

Source: Bureau of Crime Statistics and Research (BOCSAR)

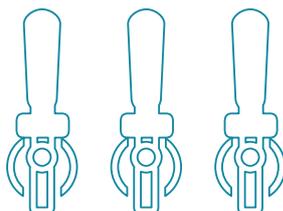




Addressing compliance in emerging and at-risk business models

We were concerned that some licensees were pushing the boundaries of what business they were authorised to operate under their liquor licence, and were operating businesses that presented a much higher risk of alcohol related violence and anti-social behaviour than contemplated by their licence type.

Compliance officers reviewed the operation of over

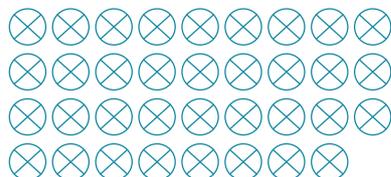


500
businesses

and used intelligence holdings to inform the selection of venues to target and prosecute with a view to a court decision that would influence broader industry behaviour.

We targeted prosecutions against two types of higher risk operations - restaurants operating as bars or nightclubs and karaoke bars. In all

35
breaches
detected



2
venues successfully
prosecuted

One karaoke bar was pursued for a combined 17 offences including permitting intoxication, hindering inspectors and breaching key licence conditions.

The result was that:

- the venue was subject to a short term closure order and a formal Disciplinary Complaint.
- the licensee received \$90,000 in fines and costs, from court and the Independent Liquor & Gaming Authority.
- a ten (10) year ban was imposed on the licensee.

Our work led to an increase in awareness of requirements for karaoke bars and restaurants with primary service authorisations, and more responsible attitudes in relation to RSA obligations.



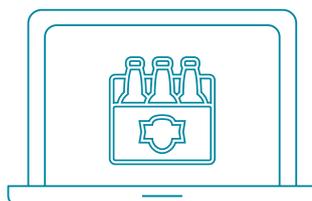
High risk indicators within the packaged liquor sector including online and delivery

We were concerned about how the NSW liquor laws applied to the emerging and rapidly expanding online and express delivery model.

To test the operation and compliance of these new models with RSA we undertook

242

risk assessments of
online licensed operators



30

desk audits/engagements

We convened and are leading an interjurisdictional working group to explore opportunities for regulators to work together to improve risk minimisation controls available for online delivery businesses.

Our work has helped to bring a better understanding of the online express delivery model and some of the particular RSA risks it raises in relation to the sale or supply of liquor to minors and intoxicated persons, which in turn will help to improve RSA in practice for online businesses.

As this business model continues to expand and evolve, this priority is ongoing and we will continue to monitor the developments in the sector to ensure RSA is being adapted and working effectively in practice.



Gaming & Wagering



Gambling related advertising and inducements

We were concerned that certain betting service providers were not compliant with NSW laws on gambling related advertising and inducements, and not adequately responding to our engagement and increased regulatory action.

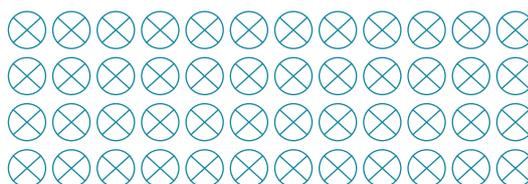
We undertook significant engagement with the industry to encourage a voluntary change of behaviour. Simultaneously, we actively monitored social media and operators' websites to strictly apply the prohibition laws on the advertising of gambling inducements to NSW residents.

Since 2015, we have conducted



100%

17 out of 17 successful prosecutions
against betting service providers and one betting related media website



in respect of 48 gambling advertising and inducements related offences

These prosecutions resulted in a total of approximately \$126,000 in fines and \$253,000 in costs being imposed by the courts.

To further support behaviour change by industry operators, the Government commenced new laws in July 2018 to provide for greater enforcement tools and increased penalties for non-compliance with gambling related advertising and inducements.

This priority requires ongoing monitoring to ensure the new laws are effective in achieving the intended change in industry behaviour.

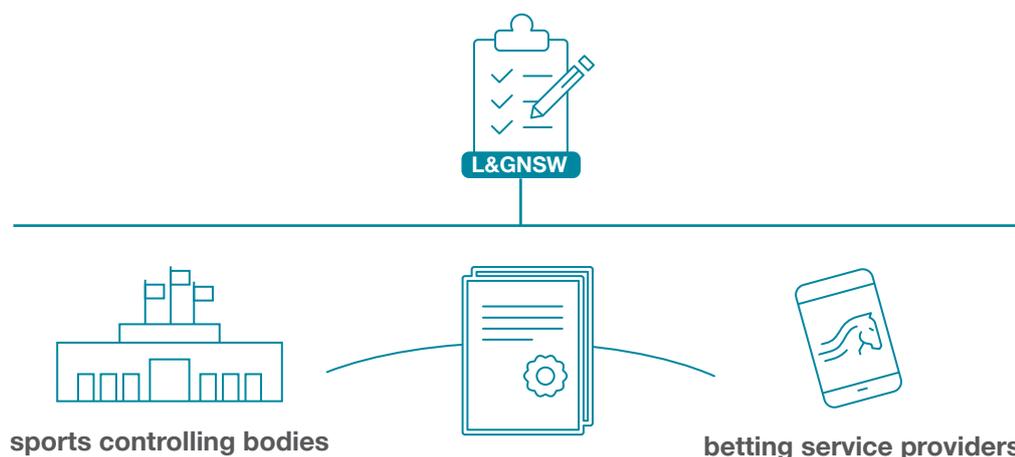


Sports betting integrity arrangements

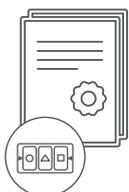
We were concerned that the growth of sports betting markets escalated integrity risks and wanted to test the rigour of integrity agreements and effectiveness of implementation.

Sports betting integrity is a complex issue that traverses state and federal jurisdictions and various regulatory agencies and sports controlling bodies. Our efforts were focused on ensuring that the regulatory framework in NSW was effective.

We conducted audits of sports betting integrity agreements between betting service providers and sports controlling bodies to ensure that appropriate arrangements were in place to mitigate the risk of match fixing and cheating at gambling.



The Wood Report into Sports Integrity Arrangements was released on 1 August 2018. We are considering the recommendations, liaising with the responsible Commonwealth agency leading this work and providing advice to the NSW Government to ensure sports integrity arrangements are enhanced through any potential changes.



Gaming machine integrity and custody arrangements

We were concerned that some licenced technicians and dealers were operating outside the NSW gaming laws and that there were some system gaps impacting the integrity of gaming machines through their lifecycle.

We undertook a proactive audit of all licensed dealers and technicians focusing on suspected rebirthing and illegal sales of gaming machines

We also conducted targeted gaming machine audits with expert support from Gaming Laboratories International to verify that equipment was installed and configured correctly and in accordance with approval conditions



all technicians and licensed dealers



30 gaming machines at each selected premises across hotels, registered clubs and the casino operator were audited

Working with the NSW Police Force, we also undertook two targeted operations on the unlawful use of gaming machines and we lodged disciplinary complaints against non-compliant operators to the Independent Liquor & Gaming Authority.

Through our actions we sent a strong deterrent message to the industry, and identified opportunities to strengthen processes and controls to better track a gaming machine through its lifecycle.

A new Centralised Monitoring System (CMS) commenced on 1 December 2017. The system has enhanced monitoring and integrity of gaming machine operations in NSW. The new CMS has high-tech functionality to detect potential issues with machine integrity, as well as indicia of money laundering and fraud, and will support L&GNSW to ensure the integrity of gaming machine operations throughout NSW.



Clubs



Ensuring clubs are effectively governed

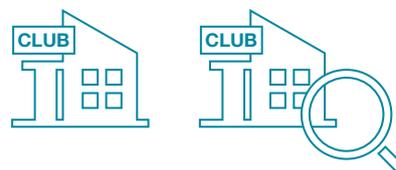
We were concerned that a small number of clubs were impacted by governance failures which escalated the risk of fraudulent or illegal activity by office holders or club management.

To ensure that governing bodies have the training and support required to effectively fulfil their obligations to their clubs, we finalised our evaluation of the club industry training framework. We are now working with the clubs industry to implement the recommendations with the aim of building capacity within the sector to prevent risks to effective governance occurring.

We undertook targeted interventions against some individuals within the clubs sector who were not meeting their legal obligations



We lodged formal disciplinary complaints against two clubs that are currently subject to consideration by the Independent Liquor & Gaming Authority



The Government also introduced the *Registered Clubs Amendment (Accountability and Amalgamations) Act 2018*, which commenced on 15 June 2018. The Act introduces reforms to the registered clubs accountability and amalgamations regulatory frameworks that shifts responsibility for lower risk accountability matters to Clubs NSW.

While we will maintain our powers to step in to resolve complaints, these changes mean we can dedicate more time and resources to resolving higher-risk accountability complaints.

Our activity for this priority has resulted in increased awareness among club directors and executives of accountability requirements and governance best practice.

 Casino



International Rebate Play/Junkets/AML

Internal controls and systems integrity and revenue assurance

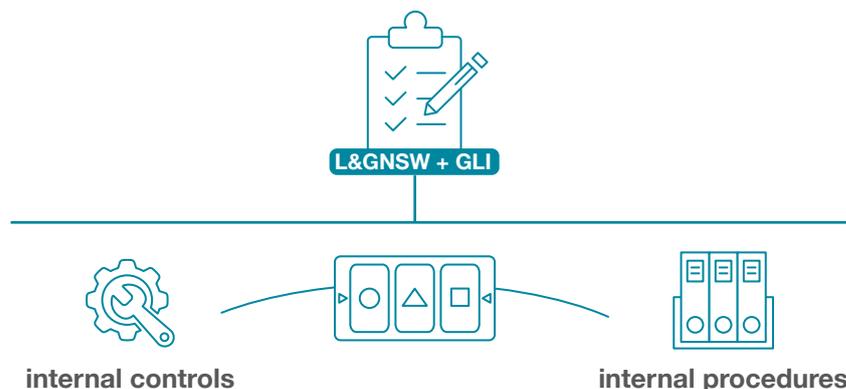
The casino regulatory framework had not kept pace with modern principles of risk-based regulation.

We continued to remove unnecessary prescription and implement a risk-based approach to casino regulation since assuming responsibility for casino oversight in 2016.

In 2017/2018 we implemented a Casino Supervisory Plan, which included a risk assessment and prioritisation of all our regulatory functions regarding the casino.

We identified international rebate play, including junkets, as an area of focus due to its high profile and identified risks internationally. We actively engaged with the NSW Police Force, AUSTRAC and the casino operator to ensure casino gaming remains free from criminal influence and that there is an appropriate framework to manage these risks.

To ensure casino gaming machine integrity, we conducted a joint audit with Gaming Laboratories International to test internal controls and procedures relating to gaming machines



We continued to monitor liquor operations at the casino, including security and surveillance controls. This included peak trade inspections in areas such as nightclubs.

In March 2018, in response to the Casino Modernisation Review, the NSW Parliament passed a package of reforms to support a more risk-based regulatory approach, with targeted intervention and tougher penalties for compliance breaches. Many of the changes are based on the development of risk-based internal controls; removing undue prescription and administrative controls while ensuring we maintain a comprehensive regime of oversight.

Our activities have ensured a robust relationship with key law enforcement and regulatory stakeholders with shared responsibility for casino integrity and informed continued improvement of casino internal controls and assurance activities about current processes.