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**VICTORIAN  
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*Auditing in the  
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VICTORIA

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Auditor-General  
of Victoria

**SPECIAL REPORT No. 40**

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**THE COMMUNITY  
SUPPORT FUND**  
**A significant community asset**

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*Ordered by the Legislative Assembly to be printed*

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May 1996

The President  
The Speaker

Parliament House  
Melbourne Vic. 3002

Sir

Under the provisions of section 16 of the *Audit Act* 1994, I transmit the Auditor-General's Special Report No. 40, "*The Community Support Fund: A significant community asset*".

Yours faithfully

C.A. BARAGWANATH  
*Auditor-General*







# Foreword

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Against a background of marked growth in the level of gaming activity in the State, the Community Support Fund has quickly assumed both financial and community significance. Because of the nature of its revenue source, namely, a fixed share of proceeds from gaming operations in hotels only, which is to be used specifically for community purposes, the Fund is very much synonymous with community interests.

This Report assesses the extent to which decisive action has been taken by the Government to address issues raised in a 1994 audit by my Office of the Fund in terms of co-ordination and control of the Fund's operations, and reporting to the Parliament and community on the Fund's effectiveness in generating real benefits for the community.

The Report also examines several other issues in relation to the Fund including the adequacy of past community involvement in decisions on funding allocations, the status of research into the social impact of gambling and the potential for widening the source of funding to achieve a more equitable arrangement for financing matters dealing with the social consequences of gambling.

I hope readers of the Report perceive it as enhancing the Parliament's and community's knowledge and awareness of the Fund which is now clearly a significant community asset.

C.A. BARAGWANATH  
*Auditor-General*



# **Part 1**

## **Executive Summary**



# Part 1.1

## Overall audit conclusion

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**1.1.1** As its title suggests, the Community Support Fund has a very direct relationship with the community. With its revenue derived solely from gaming operations within hotels and earmarked under legislation for application to defined community programs and services, the Fund can be very closely aligned with community interests. These circumstances strongly accentuate the importance of direct community participation into decisions concerning funding priorities and direction.

**1.1.2** To date, involvement by the wider community in decision-making processes for determining distributions from the Fund has been very limited. This Report suggests a Board of Management-type structure, comprising a broad representation of community interests, as a mechanism worthy of consideration by the Government to specifically recognise the community's prime position in relation to the Fund.

**1.1.3** While the rising level of gaming turnover in the State clearly indicates that gaming is a popular public activity, participation in this activity can give rise to serious consequences for some sections of the community who experience financial, domestic or addictive problems after regular exposure to the medium. Because adverse social consequences of gaming may emerge from participation by the public at any of the 3 gaming sectors within the State, namely, hotels, clubs and the casino, it would seem logical and equitable that clubs and the casino also be required to make statutory contributions to the Fund to be used specifically in addressing the social ramifications of gaming. Action along this line, which would involve legislative change, is also worthy of consideration by the Government even if it resulted in a diversion of funds currently provided by clubs or the casino, either privately or under other legislation, for community purposes.



**1.1.4** The Fund's legislation clearly specifies that research into the social impact of gaming is to be given absolute priority in determining distributions. An aggregate outlay on such research by the Victorian Casino and Gaming Authority of just \$364 200, or 0.6 per cent of total expenditure from the Fund, over the first 3½ years of the gaming industry in the State was seen by audit as inconsistent with the legislative emphasis. In addition, the research undertaken has focused principally on survey data on community perceptions and has not been suitable for objective measurement of the social consequences of gambling. To its credit, the Authority has moved to substantially upgrade the quality of its research direction and is currently overseeing a major project titled the Baseline Database Project. The results of this Project will be significant, not only in terms of guiding strategic action to alleviate adverse social implications of gambling, but also influencing the Government's future decisions on the maximum number of gaming machines to be approved to operate in hotels and clubs. When commenting on research, it is also appropriate to mention that important research aimed at assessing the effectiveness of problem gambling services is currently at a very early stage within the Department of Human Services.

**1.1.5** Audit is very pleased to recognise an important initiative taken by the Secretary of the former Department of Arts, Sport and Tourism in 1994 in creating a lean but effective management unit to co-ordinate and control the Fund's operations. This move has resulted in the development of a sound framework for many aspects of the Fund's management. The unit's major challenge now is to establish procedures which enable the Fund's performance against targeted outputs and outcomes to be systematically measured and reported. In this regard, audit recommends the compilation and communication to the Parliament and community of a consolidated annual performance report, encompassing all areas in receipt of financial assistance from the Fund.

**1.1.6** Some past management practices in relation to the Fund within the Office of Youth Affairs were not up to the standard expected when dealing with distributions of public funds. It is important that action be taken to ensure such practices do not recur.

**1.1.7** Finally, the broad nature of the legislative definitions of community programs or projects eligible to receive financial assistance from the Fund is clearly illustrated by the extremely wide range of distributions which have been approved by the Minister for Gaming up to the end of February 1996 and itemised in this Report. Such broad definitions make it very difficult to make definitive judgements, beyond the base priority order for each funding category set out in the legislation, regarding the relative merit of individual funding decisions.

**1.1.8** In summary, the Government is well placed to build on its past actions so that its management of the Community Support Fund can attain a standard of quality commensurate with the standing of the Fund as a significant community asset. It can achieve this goal if adequate opportunity is made available for direct participation by the community in the Fund's decision-making processes and clear progress is made in measuring and reporting on the Fund's effectiveness in terms of how its funding across government has been utilised to achieve targeted outputs and outcomes and, in turn, generate real community benefits.

# Part 1.2

## Summary of major audit findings

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### DISTRIBUTIONS FROM THE FUND

Page 21

- With weekly revenue of around \$1.2 million, the financial significance of the Community Support Fund has increased markedly and the Fund is now a major means of financing a wide range of community programs and services.  
*Paras 4.7 to 4.13*
- There is a need for application of a consistent approach to the assessment and approval of distributions from the Fund and for participation in the decision-making process by all relevant Ministers.  
*Paras 4.14 to 4.21*
- Assignment of a principal advisory role on funding priorities to a representative community body would be compatible with the conceptual nature of the Fund as a mechanism established to specifically service community interests.  
*Paras 4.22 to 4.28*
- Further consideration should be given by the Government to the desirability of legislative change to require clubs and the casino, in addition to hotels, to make statutory contributions to the Fund to address the social ramifications of gaming.  
*Paras 4.29 to 4.37*
- The legislation has very strongly emphasised the absolute importance of priority and adequate funding directed to the management of research into the social impact of gambling.  
*Paras 4.42 to 4.45*
- An aggregate outlay of \$364 200, or just 0.6 per cent of total expenditure from the Fund, on research into the social impact of gambling over the first 3½ years of the gaming industry in the State was not consistent with the legislative significance placed on such research.  
*Paras 4.51 to 4.53*
- It was only from early 1995, around 2½ years after commencement of gaming operations in the State, that the direction of research into the social impact of gambling began to equate with the major significance placed on such research by the legislation.  
*Paras 4.54 to 4.55*



**DISTRIBUTIONS FROM THE FUND - continued****Page 21**

- Through its current Baseline Database Project, the Victorian Casino and Gaming Authority is now overseeing highly important research which is directly consistent with the intention of the legislation dealing with research into the social impact of gambling.  
*Paras 4.56 to 4.64*
- The Authority needs to ensure that the salient features of its research are publicly released as soon as possible after completion of individual projects.  
*Paras 4.65 to 4.70*
- The improved focus and increasing relevance of the Authority's research activities during 1995 mirrored the setting-up of a specific strategic framework for research.  
*Paras 4.71 to 4.78*
- Consideration should be given to legislative change under which responsibility for managing and controlling research into the social consequences of gambling was independent of the regulatory and other statutory functions of the Authority.  
*Paras 4.79 to 4.86*
- Distributions totalling \$128.1 million up to 29 February 1996 have been approved by the Minister for drawdown from the Fund for purposes of sport and recreation clubs or programs, specific community services or youth homelessness.  
*Paras 4.91 to 4.103*
- At 29 February 1996, an amount of \$56.5 million had been approved for financing the construction and fit out of the new Melbourne Sports and Aquatic Centre, the largest approved allocation from the Fund to date.  
*Paras 4.93 to 4.96*
- Distributions totalling \$39.8 million up to 29 February 1996 have been approved by the Minister for drawdown from the Fund for the promotion of the arts and tourism.  
*Paras 4.104 to 4.110*
- The broad nature of the legislative definitions of community programs or projects eligible to receive financial assistance from the Fund makes it very difficult to form definitive judgements, beyond the base priority order for each funding category set out in the legislation, regarding the relative merit of individual funding decisions.  
*Paras 4.111 to 4.112*

*EXECUTIVE SUMMARY*



**MANAGEMENT AND ACCOUNTABILITY FRAMEWORK**

- The establishment in 1994 of a small but competent management unit for the Fund was an important initiative taken by the Secretary of the former Department of Arts, Sport and Tourism.  
*Paras 5.18 to 5.22*
- The Fund's management unit has progressively established a sound framework for many aspects of the Fund's operations and now has the major challenge of substantially strengthening its focus on measurement of the Fund's performance.  
*Paras 5.23 to 5.27*
- An annual report, which brings together in a consolidated form the performance of the Fund against targeted outputs and outcomes, should be compiled and communicated to the Parliament and community.  
*Paras 5.28 to 5.31*
- Comprehensive annual reporting on the effectiveness of the Fund's performance is seen by audit as a key means of reinforcing the Government's accountability for management of such a significant community asset.  
*Paras 5.32 to 5.34*
- Some past management practices in relation to the Fund within the Office of Youth Affairs were not up to the standard expected when dealing with distributions of public funds.  
*Paras 5.35 to 5.42*



# **Part 2**

## **Nature of the Community Support Fund**



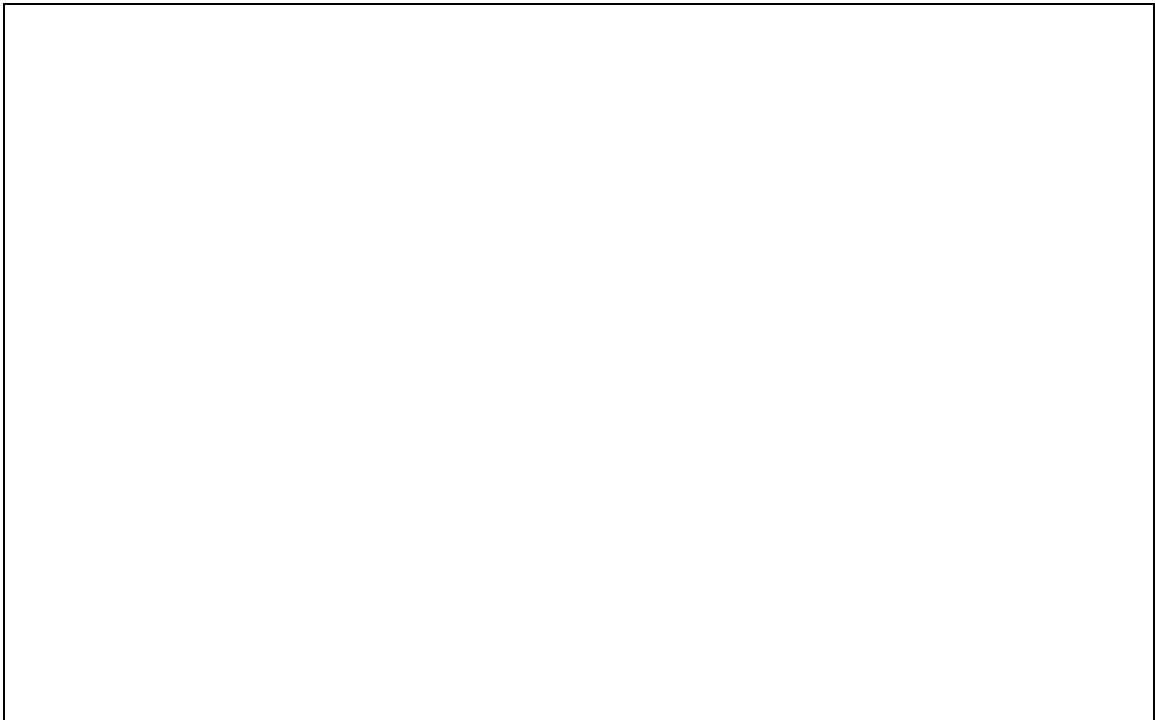
**WHAT IS THE COMMUNITY SUPPORT FUND?**

**2.1** The *Gaming Machine Control Act* 1991 provides for the establishment in the Public Account (the Government's overall bank account) of a fund known as the Community Support Fund.

**2.2** The legislation requires 8<sup>1</sup>/<sub>3</sub> per cent of the total daily net cash balances (that is, the total amount wagered less the sum of all prizes paid) derived from electronic gaming machines **in hotels** (which, to date, includes all approved gaming venues not holding a club liquor licence) to be paid into the Consolidated Fund, and an equivalent amount transferred to the Community Support Fund by way of a standing appropriation.

**2.3** The Fund has grown in significance both financially and in terms of community interest since commencement of gaming operations in hotels in July 1992. The marked escalation in gaming revenue since that time has had a corresponding impact on the Fund's size and significance.

**2.4** An indication of the extent of the Fund's growth since July 1992 can be gleaned from the fact that, up to the end of February 1996, a total of \$141.4 million had been credited to the Fund from hotel gaming operations.



*Gaming activities at a hotel venue.*



**2.5** The Minister for Gaming, under the provisions of the Act, may apply money in the Fund:

- **Firstly** - for payment to the Research and Development Fund established by the Victorian Casino and Gaming Authority for the purposes of research relating to the social impact of gambling, the amount of such payment to be determined by the Minister;
- **Secondly, 70 per cent of the remainder** -
  - for payment to the Minister administering the *Sport and Recreation Act 1972* to be spent for the benefit of sport and recreation clubs or programs; and
  - for payment to the Minister administering the *Community Services Act 1970* to be applied for or towards the provision of:
    - financial counselling services;
    - support and assistance for families in crisis;
    - programs for the prevention of compulsive gambling;
    - programs for the treatment or rehabilitation of persons who are compulsive gamblers; and
    - in consultation with the Minister administering the *Youth Affairs Act 1986*, government initiatives on youth homelessness.
- **Thirdly, the balance** -
  - for payment to the Minister administering the *Ministry for the Arts Act 1972* to be applied by that Minister for the promotion of the arts; and
  - for payment to the Minister administering the *Tourism Victoria Act 1982* to be applied for the promotion of tourism.

**2.6** While the Minister for Gaming has direct responsibility under the legislation for determining the application of moneys from the Fund, in practice, the Minister has been assisted by a cabinet committee comprising:

- the Minister for the Arts;
- the Minister for Sport, Recreation and Racing; and
- the Minister for Tourism.

**2.7** Responsibility for the ongoing co-ordination and control of the Fund's management has rested with the Secretary of the former Department of Arts, Sport and Tourism. In this regard, the Secretary identified the need for a structured approach to the Fund's day-to-day management and, in an important initiative, formed a special unit in March 1994 to undertake the key management tasks. The responsibilities of the unit encompass the following functions:

- assessment of funding submissions and proposals;
- monitoring of programs or projects approved to receive financial assistance from the Fund;
- preparation of relevant reports, assessments and evaluations for both the Minister for Gaming and the cabinet committee; and
- financial management and reporting tasks.



**2.8** The provisions of the Act pertaining to the Fund have been subject to 3 amendments since 1991. These amendments have been initiated by the Government and can be summarised as follows:

- The original Act permitted the Minister to allocate moneys in the Fund firstly, for or towards the expenses of the former Victorian Gaming Commission. This provision was repealed in 1994. The operating expenses of the Victorian Gaming Commission's successor body, the Victorian Casino and Gaming Authority, are now met by appropriation from the Consolidated Fund. As a result, the amount available for distribution from the Fund in 1995-96 increased by \$12.8 million;
- An amendment in 1993 to allow the Minister for Sport and Recreation to allocate money for the benefit of sport and recreation programs in addition to clubs; and
- A further amendment, also in 1993, to enable the Minister for Community Services, in consultation with the Minister responsible for Youth Affairs, to also apply moneys from the Fund for or towards government initiatives on youth homelessness.

**2.9** The overall impact of these amendments has been to allow the Minister for Gaming to authorise the distribution of moneys in the Fund to a wider range of programs.

# **Part 3**

## **Conduct of the Audit**



**AUDIT OBJECTIVES**

- 3.1** The objectives of the audit were to assess whether:
- distributions from the Community Support Fund have been in accordance with relevant legislation and central agency guidelines;
  - a sound framework had been established to monitor and evaluate the effectiveness, efficiency and economy of programs, activities and initiatives funded by the Community Support Fund, and to ensure that funds have been expended by recipient organisations for the intended purpose(s);
  - the administration and management of the Community Support Fund had been undertaken in an efficient, effective and economic manner; and
  - sufficient mechanisms have been put in place to ensure adequate accountability to the Parliament and the community for the use of the Fund.

**AUDIT SCOPE**

**3.2** The audit encompassed an assessment of the overall management of the Community Support Fund by the former Department of Arts, Sport and Tourism and the management by a range of government agencies, including the former Department of Health and Community Services and the former Office of Youth Affairs, of specific distributions from the Fund.

- 3.3** The following specific areas were examined during the course of the audit:
- principal features of relevant legislation, government policy statements and central agency guidelines;
  - policies, guidelines, systems and procedures established by the former Department of Arts, Sport and Tourism and recipient government agencies in respect of the management of the Fund and specific distributions from the Fund;
  - the management frameworks established by the former Department of Arts, Sport and Tourism and recipient government agencies to monitor and evaluate the effectiveness of programs and projects financed by the Fund;
  - the extent and nature of research into the social impact of gambling funded from the Fund; and
  - mechanisms in place to ensure accountability to the Parliament and the community for the use of the Fund.

**3.4** Information presented in this Report essentially reflects the departmental structure in place during the period of the audit although references have been made, as appropriate, to the extensive machinery of government changes announced by the Premier early in April 1996. As mentioned in an earlier paragraph, principal responsibility for the co-ordination and control of the management of the Community Support Fund rested with the Secretary of the former Department of Arts, Sport and Tourism. Under the recent machinery of government changes, the Premier has assumed responsibility for the Fund and, as a result, related management functions will now form part of the role of the Department of Premier and Cabinet.



**3.5** As part of the audit, meetings were held with a range of community and welfare organisations to seek their views on matters relating to the allocation of funding from the Community Support Fund.

**3.6** The audit was performed in accordance with Australian Auditing Standards applicable to performance audits and included such tests and other procedures considered necessary.

**IMPETUS FOR THE AUDIT**

**3.7** The Auditor-General, in the *Report on Ministerial Portfolios*, May 1994 to the Parliament, presented an overview of gaming revenues and transactions impacting on the Fund, and emphasised the need for decisive action by the Government in relation to the strategic management and co-ordination of the Fund.

**3.8** The period since the 1994 Report has been one of extensive growth in the financial significance of the Fund, accompanied by increasing community interest. Accordingly, it was deemed highly appropriate that audit revisit the subject area.

**3.9** In addition, the Community Support Fund was endorsed by the Parliament's Public Accounts and Estimates Committee as worthy of a subsequent detailed review by the Auditor-General.

**ASSISTANCE PROVIDED TO AUDIT**

**3.10** Members of the Community Support Fund Unit and other staff of the former Department of Arts, Sport and Tourism, and representatives of the Office of Youth Affairs, the Department of Health and Community Services (now the Department of Human Services), the Victorian Casino and Gaming Authority and community and welfare organisations provided significant support and assistance to audit.

**3.11** Audit wishes to acknowledge the contribution that this assistance made to the preparation of this Report.

# **Part 4**

## **Distributions from the Fund**



## OVERVIEW

**4.1** Following the quite marked growth in gaming activity in the State, the Community Support Fund has quickly become a major catalyst for the channelling of significant levels of funding to a range of specially defined community programs and services.

**4.2** The Fund's increasing financial significance and its specific relationship with community interests demand that the decision-making process for determining priorities for funding is consistently followed and that the community has the opportunity to directly participate in decision-making. Both matters require attention by the Government with the question of community involvement in the formulation of funding priorities viewed by audit as a key issue warranting strong consideration.

**4.3** On the ground of achieving a more equitable arrangement for addressing the social consequences of gaming, legislative change to require clubs and the Melbourne casino, in addition to hotels, to make statutory contributions to the Fund for this purpose should also be considered.

**4.4** The Gaming Machine Control Act places the highest priority on funding research into the social impact of gambling. It was not until early 1995, around 2½ years after commencement of gaming operations in the State, that the direction of such research began to equate with this legislative emphasis. At that time, the Victorian Casino and Gaming Authority initiated its current major research project, the Baseline Database Project, which is aimed at objectively measuring the social consequences of gambling. The Authority deserves credit for the progressive development of this project, the results of which should significantly influence the State's approach to addressing the social ramifications of the acute growth in gaming activity.

**4.5** In terms of the placement of responsibility for research under the legislation, audit considers that there are grounds to support the transfer of this responsibility to an area of government independent of the regulatory and other statutory functions of the Authority.

**4.6** Finally, the broad nature of the legislative definitions of community programs or projects eligible to receive financial assistance from the Fund is clearly illustrated by the extremely wide range of distributions which have been approved by the Minister for Gaming up to the end of February 1996. Such broad definitions make it very difficult to make definitive judgements, beyond the base priority order for each funding category set out in the legislation, regarding the relative merit of individual funding decisions.

**MAGNITUDE AND DIRECTION OF DISTRIBUTIONS**

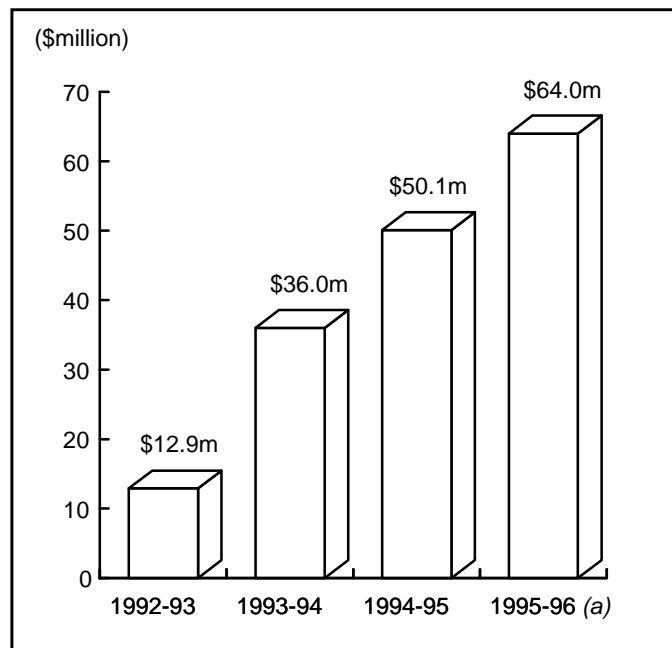
**Increasing financial significance of the Fund**

**4.7** As mentioned in Part 2 of this Report, the *Gaming Machine Control Act* 1991 authorises application of moneys in the Community Support Fund, in priority order, to 3 broad expenditure categories, namely:

- research into the social impact of gambling;
- sport and recreation and community services programs and purposes, and government initiatives on youth homelessness; and
- the promotion of the arts and tourism.

**4.8** In line with the growth in hotel gaming activities within the State, there has been a significant increase in the level of moneys credited to the Fund and available for distribution to the expenditure categories authorised under the legislation. Chart 4A demonstrates the marked increase in the annual revenue to the Fund over the period 1992-93 to 1995-96.

**CHART 4A  
ANNUAL REVENUE TO THE FUND  
FOR PERIOD 1992-93 TO 1995-96**



(a) Estimate prepared by the Community Support Fund Unit.

**4.9** In aggregate terms, over the 3½ years from the inception of the Fund in July 1992 up to the end of February 1996, a total of \$141.4 million had been paid into the Fund from gaming operations in hotels. A further indication of the growth of the Fund can be gleaned from the fact that its weekly revenue has now reached around \$1.2 million (equivalent to annual revenue of \$62 million). Table 4B provides details of amounts credited to the Fund to 29 February 1996.

**TABLE 4B**  
**AMOUNTS CREDITED TO THE FUND,**  
**JULY 1992 TO FEBRUARY 1996**  
 (\$m)

<i>Item</i>	<i>Amount</i>
Credits to the Fund -	
Funds received from hotel gaming operations	141.4
Interest on investments	6.1
Loan repayments and other income	3.4
	150.9
Less	
Administrative expenses of the former Victorian Gaming Commission (a)	19.0
<b>Balance available within Fund for distribution</b>	<b>131.9</b>
Less Expenditure to date	64.9
<b>Cash balance within Fund</b>	<b>67.0</b>

(a) The administrative expenses of the former Victorian Gaming Commission were paid from the Fund during 1992-93 and 1993-94 in accordance with the Act. The relevant provision of the Act was repealed in June 1994.

**4.10** Distributions from the Fund totalling \$187.5 million have been approved by the Minister up to the end of February 1996. Table 4C presents a summary of the approved distributions and actual expenditure to that time under the various expenditure categories set out in the legislation.

**TABLE 4C**  
**DISTRIBUTIONS FROM THE FUND,**  
**JULY 1992 TO FEBRUARY 1996**  
 (\$m)

<i>Distributions</i>	<i>Approved distribution</i>		<i>Actual expenditure to date</i>	
Administrative expenses of the former Victorian Gaming Commission	19.0		19.0	
Research into the social impact of gambling	0.6	19.6	0.4	19.4
Distributions to specified expenditure categories -				
Sport and recreation clubs or programs	60.7		11.4	
Community services programs	48.1		12.5	
Government initiatives on youth homelessness	19.3		6.3	
Promotion of the arts	21.8		10.6	
Promotion of tourism	18.0	167.9	4.7	45.5
<b>Total</b>	<b>187.5</b>		<b>64.9</b>	



**4.11** As many of the distributions approved by the Minister involve the application of funding for programs and services over periods of up to 3 years, approved amounts at any point in time will not necessarily equate with amounts available within the Fund or actual expenditure from the Fund. This position is illustrated in Tables 4B and 4C which identify that, at February 1996, only around 50 per cent of total available funding had actually been distributed (\$64.9 million as a proportion of \$131.9 million) and only about 35 per cent of approved amounts had in fact been disbursed from the Fund (\$64.9 million as a proportion of \$187.5 million).

**4.12** Projections have been prepared by the Community Support Fund Unit in respect of amounts expected to be credited to the Fund up to the year 1999-2000. If the Unit's projections are ultimately realised, amounts credited to the Fund each year from hotel gaming operations and interest will have increased to around \$85 million by 1999-2000.

**4.13** **Clearly, the financial significance of the Fund has increased markedly and the Fund is now a major means of financing a range of specially defined community programs and services.**

**Scope to enhance approval process for distributions**

**4.14** The Gaming Machine Control Act assigns to the Minister for Gaming responsibility for determining distributions from the Fund for the various purposes authorised under the legislation. The decision-making framework established by the Government in terms of assessment of recommendations and approval of funding proposals comprised the following phases:

- Ministers with responsibility for the various areas eligible to receive financial assistance from the Fund submitted funding proposals to the Minister for Gaming;
- After consideration by the Minister for Gaming, proposals were assessed by a special Cabinet Committee assisting the Minister and comprising:
  - the Minister for the Arts (who was also the Minister for Gaming);
  - the Minister for Sport, Recreation and Racing; and
  - the Minister for Tourism.
- Proposals recommended by the Cabinet Committee were referred to the Premier for endorsement and, if endorsed, were forwarded to the Minister for Gaming for formal approval under the terms of the legislation.

**4.15** The special Cabinet Committee set up to assist the Minister for Gaming has not, to date, included all Ministers with responsibility for areas which may receive financial assistance from the Fund. In this regard, the former Minister for Community Services and the former Minister responsible for Youth Affairs were not members of the Committee, although audit was advised these Ministers could be requested to attend Committee meetings when their proposals for funding were under consideration.



**4.16** Audit considers that it is very desirable for all Ministers with responsibility for the areas earmarked under the legislation as eligible to draw on the Community Support Fund to have direct participation in any decision-making process relating to the approval of distributions from the Fund. Such participation would be a necessary prerequisite to ensuring that the significance placed on each area under the legislation was adequately recognised in the decision-making process.

**4.17** Under the machinery of government changes announced by the Premier in early April 1996, authorised funding areas under the legislation have now been allocated across the following 4 portfolios:

- Youth and Community Services;
- Arts (falling under the responsibility of the Premier);
- Tourism; and
- Sport.

**4.18** It will be very important that all 4 portfolios are adequately represented in the framework put in place by the Government, as part of its machinery changes, to govern the future strategic management of the Fund.

**4.19** In addition to the above point, it is also important that all funding proposals concerning projects or programs to be financed from the Fund are discussed and decided upon in a consistent manner through one official decision-making framework. In this regard, information documented in files maintained by the Community Support Fund Unit showed that, for some projects, the Premier had initially committed the Government to provide financial assistance to external parties, without specification of the source of funding, and the Cabinet Committee subsequently recommended provision of funding for the projects from the Community Support Fund. The Committee's recommendations were ultimately endorsed by the Premier before final approval by the Minister for Gaming, as required by the legislation.

**4.20** The Government's April 1996 structural changes should facilitate application of a consistent approach to the consideration and approval of funding proposals. Under the changes, the Premier has assumed responsibility for the Community Support Fund, an arrangement which should enable the formation of a Committee, under the chair of the Premier and comprising all relevant Ministers, to function as the one official decision-making mechanism for the Fund. A more effective approach to this important aspect of the Fund's management is likely under this arrangement as the Premier and the Committee would be able to deliberate and reach final decisions on funding proposals in a single and structured forum without the influence of commitments on government funds made prior to the Committee's deliberations or an endorsement role by the Premier separate from the Committee.

**4.21** In summary, scope now exists, under the Government's recent structural changes, for application of a consistent approach to the assessment and approval of distributions from the Fund and for participation in the decision-making process by all relevant Ministers.



**Importance of adequate community input into direction of distributions**

**4.22** To date, the direct involvement of the wider community in the decision-making process for determining distributions from the Fund has been very limited.

**4.23** In making this point, however, it is appropriate for audit to recognise that several of the government agencies associated with the operation of the Fund, e.g. Tourism Victoria and the Department of Human Services (the former Department of Health and Community Services and the Office of Youth Affairs involved with the Fund now form part of this Department) have endeavoured to involve the community in the development and implementation of funded projects. In addition, the Victorian Casino and Gaming Authority has provided opportunities for the Victorian Council of Churches and the Advisory Group on Social and Community Issues established by the Minister for Gaming to submit proposals on the social impact of gambling for consideration by the Authority.

**4.24** While these actions are important and worthy of recognition, audit found, in discussions with a range of community welfare organisations, that many organisations had little knowledge of the processes in place governing distributions from the Fund. These organisations expressed concern at the lack of community input into the decision-making process. The reality has been that the principal sources of advice and recommendations to the Minister for Gaming on funding priorities and direction have essentially been within the machinery of government, along the lines discussed under the previous heading.

**4.25** The Fund has a very direct relationship with the community in that it receives a special distribution of gaming revenue (from hotel operations) to be earmarked for defined community benefits. Its funding, derived only from gaming patrons of hotel venues, differs in nature from the general pool of taxpayers' contributions to government. This close alignment with community interests represents an important principle underpinning the legislative framework which, in audit opinion, gives rise to the contention that the Fund should be viewed as an important community asset necessitating major community participation into decisions concerning its funding priorities and direction.

**4.26** There would be merit in considering a decision-making framework for the Fund under which the principal source of advice and recommendations to the Premier is a Board of Management structure comprising a wide representation of community interests. Such representation could encompass, for example, industry, tourism, business, community service and welfare sectors as well as Government membership. In this regard, the Government's input on potentially suitable funding proposals could be in the form of the recommendations of the Cabinet Committee previously described and would be one, albeit important, source of information and assistance to the Premier.

**4.27** Under the above scenario, the Board of Management for the Fund would be assisted by a resource management framework serviced by the government and have responsibility for gathering and analysing information relative to potential distributions from the Fund and for prioritising funding proposals. It would be the predominant avenue of guidance and advice to the Premier on funding priorities and direction.

**4.28** **Assignment of a principal advisory role on funding priorities to a representative community body, reporting directly to the Premier, would be**



**compatible with the conceptual nature of the Fund as a mechanism established to specifically service community interests. Such action would also be a source of positive assurance to the general community as to the level of significance attached to its equity in the Fund by the Government.**

**Widening the sources of funding for addressing the social ramifications of gaming**

**4.29** As outlined in earlier paragraphs, the Gaming Machine Control Act provides that the sole source of revenue to the Fund and, in turn for financing research or programs directed towards the social impact of gambling, is a specified percentage of net revenue derived from gaming machines in hotels. There is no statutory requirement for part of revenue streams derived from gaming machine activities within clubs or the casino to be specifically directed to support research or programs dealing with the social consequences of gambling.

**4.30** The above position recognises that:

- Clubs direct their financial returns from gaming operations to the enhancement of facilities and services for members. In this regard, according to the Second Reading Speech in the Legislative Assembly at the time of 1993 amendments to the legislation, the provision to venues with club liquor licences of a greater return than venues with general liquor licences was intended to assist clubs in improving the facilities they offer to their members and local communities;
- The casino is required to contribute a community benefit levy, equivalent to one per cent of monthly gross gaming revenue, to the Consolidated Fund, under the terms of the *Casino Control Act* 1991, which is applied towards the Hospitals and Charities Fund. In 1994-95, the casino contributed \$3.2 million by way of this levy to the Hospitals and Charities Fund. This Fund is used by the Department of Human Services (formerly the Department of Health and Community Services) to finance public hospitals, nursing home services, ambulance services, home and community care, community health and other services in accordance with the requirements of the *Health Services Act* 1988; and
- The Government's "Agenda 21" program of major civic works is substantially supported from taxation revenue derived from the operations of the casino (the Government's 1995-96 budget papers indicate that this revenue is expected to be around \$82.7 million for that year).

**4.31** In addition, clubs and the casino may, from time-to-time, determine to allocate part of their financial resources directly to assist community welfare programs or organisations.



**4.32** There is little doubt that the marked growth in gaming activity in the State has generated significant levels of taxation revenue to the Government which, in turn, becomes available for the benefit of the community through distribution to community services or facilities. On the other hand, the increasing levels of gaming activity have been accompanied by mounting concern within sections of the community as to the social ramifications of the gaming trends. It was against this background that the Premier announced in December 1995 that the maximum number of gaming machines operating in clubs and hotels would be restricted to 27 500 pending comprehensive research into the social and economic effects of gaming.

**4.33** While the rising level of gaming turnover in the State clearly indicates that gaming is a popular public activity, participation in this activity can give rise to serious consequences for some sections of the community who experience financial, domestic or addictive problems after exposure to the medium. The secondary impact of these problems, e.g. on families or on business or employment opportunities, can be substantial.

**4.34** Because adverse social consequences of gaming may emerge from participation by the public at any of the 3 gaming sectors within the State, namely, hotels, clubs and the casino, it would seem to be logical and equitable if the statutory obligation to finance research or other programs designed to alleviate the social consequences of gaming applied uniformly across all 3 elements of the gaming industry. A recommendation along this line was included in the Report of the Review of Electronic Gaming Machines in Victoria, also known as the "Schilling Review", released in June 1994, but was not subsequently adopted by the Government.

**4.35** Any move to achieve the above position of a widened and more equitable funding arrangement to address the social consequences of gaming may well require a diversion of funds currently provided by clubs and the casino for specified community benefits, as outlined in an earlier paragraph. Such diversion could certainly be defended on the ground that members of the community experiencing serious problems as a consequence of their gaming activities within clubs or the casino would not derive much immediate remedial benefit from the availability of enhanced facilities for club members or of major civic projects financed from casino taxation revenue.

**4.36** Action to extend the obligation to finance programs or support services for people experiencing problems arising from gaming would also help to ensure adequate levels of funds are available to meet the emerging areas of social need. Drawing on the legislative framework relating to the Fund, these areas would encompass the financing of research into the social impact of gambling or the funding of particular community services such as financial counselling, assistance for families in crisis or programs for the prevention of compulsive gambling or for the treatment of compulsive gamblers.

**4.37** Further consideration should be given to the desirability of legislative change to require clubs and the casino, in addition to hotels, to make statutory contributions to the Fund to address the social ramifications of gaming.



**□ RESPONSE** provided by Secretary, Department of Premier and Cabinet

*The proposal raises a matter for policy consideration by Government. The Community Support Fund is established under section 138 of the Gaming Machine Control Act 1991. An amount of 8<sup>1</sup>/<sub>3</sub> per cent of the total daily net cash balances from gaming conducted in hotels is paid into the Community Support Fund. This does not apply to clubs. The rationale was that clubs returned all their profits to the community in the form of facilities and services whereas hotel profits accrued to the owners. A casino operator is required to pay a Community Benefit Levy into the Hospital and Charities Fund. The Casino Management Agreement Act 1993 has set the Community Benefit Levy at one per cent of gross gaming revenue.*

**Placement of core responsibility for the Fund's management**

**4.38** For the period from establishment of the Community Support Fund in 1992 to the April 1996 announcement of machinery of government changes, responsibility for the Fund's management and associated co-ordination and control functions rested with the former Secretary of the former Department of Arts, Sport and Tourism.

**4.39** Three of the expenditure categories eligible to receive financial assistance from the Fund fell within the overall responsibilities of that former Department, namely, sport and recreation programs and projects, and the Arts and Tourism sectors. Given these circumstances, audit considered that the Government should assess whether it would be more appropriate if the core management responsibility for the Fund was placed with an agency not involved in submission of funding applications, e.g. with one of the central agencies of government. A recommendation along this line was conveyed to the Secretary of the former Department at the conclusion of the audit.

**4.40** In making this recommendation, audit was not suggesting that there had been any favouritism or bias in decisions on allocations from the Fund to arts, sport or tourism programs or projects. The recommendation was made solely in recognition of the increasing significance of the Fund and the desirability of ensuring maximising objectivity, from the viewpoint of the community, was applied on an ongoing basis to all funding decisions.

**4.41** As previously mentioned, under the Government's April 1996 structural changes, the Premier has assumed responsibility for the Community Support Fund and, as a result, the related management functions, including strategic oversight, will now fall within the role of the Department of Premier and Cabinet. This action is consistent with the earlier views expressed by audit on this matter.

**RESEARCH INTO THE SOCIAL IMPACT OF GAMBLING**

**Legislative priority assigned to research**

**4.42** The *Gaming Machine Control Act* 1991 very clearly specifies that research into the social impact of gambling is the first priority for distributions from the Fund.

**4.43** In setting out the order in which funding can be applied for approved purposes, the Act, in section 138 (7), requires the Minister for Gaming to **firstly** direct funds for research relating to the social impact of gambling. The Act identifies a Research and Development Fund, to be established by the Victorian Casino and Gaming Authority, as the mechanism for controlling the financial management of the research. Up to June 1994, covering approximately the first 2 years of gaming activity within the State, the Authority's predecessor body (the Victorian Gaming Commission) had responsibility for the management of research.

**4.44** The Authority advised audit that, in practice and principally for administrative convenience, a separate Research and Development Fund had not been established and moneys approved for the purpose of research have been drawn down directly from the Community Support Fund.

**4.45** The legislation indicates that funds available for the range of community services and programs eligible for financing from the Community Support Fund are to be drawn from the **remainder** of moneys available after funds have been set aside for research into the social impact of gambling. **In short, the legislation has very strongly emphasised the absolute importance of priority and adequate funding directed to the management of this research.**

*□ RESPONSE provided by Secretary, Department of Premier and Cabinet*

*Research has been accorded the appropriate emphasis with the task being undertaken in an orderly and systematic manner.*

**Outline of research expenditure to date**

**4.46** Up to the end of February 1996, expenditure totalling \$364 200 (or 0.6 per cent of total expenditure to that date) had been drawn down by the Authority from the Fund for the specific purpose of undertaking research into the social impact of gambling. Table 4D. summarises the various research projects financed from the Fund.

TABLE 4D  
EXPENDITURE ON RESEARCH INTO THE SOCIAL IMPACT OF GAMBLING,  
PERIOD JULY 1992 TO FEBRUARY 1996  
(\$)

<i>Research project</i>	<i>Cost of research</i>
<b>First Survey of Community Gambling Patterns (completed)</b> - Commenced early in 1992 and completed in May 1992, before gaming operations actually commenced. The survey involved the collection of data on community attitudes to, and the level of, gambling and types of gambling activities in Victoria. AGB McNair undertook the survey. The results of the survey have been publicly released.	12 700
<b>Review of Electronic Gaming Machines in Victoria, "the Schilling Review" (completed)</b> - Commenced in September 1993 and completed in April 1994. The Review examined the introduction and operation of electronic gaming machines in Victoria having particular regard to the costs and benefits arising from electronic gaming machines, the need for viability within the gaming industry and the need for effectiveness and efficiency in the regulatory and managerial framework governing the introduction and operation of electronic gaming machines. The review was conducted by a panel appointed by the Minister for Gaming. A report detailing the findings and recommendations arising from the review was publicly released.	230 600
<b>Second Survey of Community Gambling Patterns (completed)</b> - Commenced in May 1994 and completed in late 1994. The survey focused on community attitudes to gambling subsequent to the introduction of gaming machines and on changes in the gambling habits of Victorians. The survey was undertaken by AGB McNair. A 3 volume report on the results of the survey was publicly released in February 1995.	55 600
<b>First and Second Survey of the Economic Effects of Gaming on Venues (second survey in progress)</b> - The emphasis of the surveys is primarily economic with a focus on the income and employment effects of gaming. The surveys were undertaken by the Authority's research team. An initial survey of the economic effects of gaming on venues was completed in September 1994 and covered the period from the commencement of gaming in July 1992 to 30 September 1993. A report on the first survey has been publicly released. Responses to the second survey were received by the Authority up to October 1995, however, a report on the surveys results has not been publicly released as yet.	500
<b>Assessment of the Impact of the Introduction of Electronic Gaming Machines on Charitable and Non-Profit Organisations (in progress)</b> - Commenced in April 1995. The focus of this research project was on the impact on the revenue raising capacity of charitable and non-profit organisations of the introduction of electronic gaming machines. The project was undertaken by Praxion Consultants. A report from the consultant on the results of the project was received by the Authority in November 1995 but has not yet been publicly released.	7 800
<b>Third Survey of Community Gambling Patterns (completed)</b> - Commenced in June 1995 and completed in December 1995. The main aims of this survey included the identification of any changes in gambling patterns following the opening of the temporary casino and the increase in the number of licensed gaming venues. The survey was undertaken by DBM Consultants. A report on the results of this survey was publicly released in February 1996.	38 500

TABLE 4D  
EXPENDITURE ON RESEARCH INTO THE SOCIAL IMPACT OF GAMBLING,  
PERIOD JULY 1992 TO FEBRUARY 1996 - *continued*  
(\$)

<i>Research project</i>	<i>Cost of research</i>
<b>Research on the Positive and Negative Perceptions of Gambling (in progress)</b> - <i>Commenced in December 1995 and expected to be completed in June 1996. This research involves an examination of the cultural perceptions of both the positive and negative aspects of gambling and opinions as to what constitutes a "problem gambler". This research is being undertaken by Hames Sharley, a research consultancy firm. The total cost of this project is expected to be \$40 000.</i>	16 000
Miscellaneous costs associated with research	2 500
<b>Total</b>	<b>364 200</b>

### Key findings from research published to date

**4.47** It can be seen from Table 4D that the research completed and published by the Authority to date has been essentially survey-based in nature and has mainly involved the gathering of data on community gambling patterns.

**4.48** Three surveys of community gambling patterns have been conducted by the Authority. The first survey was undertaken in May 1992 before the commencement of gaming operations in the State and the second survey was carried out in May 1994 before the opening of the casino located in Melbourne. As such, the results of the third survey, which were released by the Authority in February 1996 and present a picture of gambling activity at June 1995, provide the most current and complete data on community gambling patterns in Victoria.

**4.49** The major findings of the third survey, as outlined by the Authority in its published comments on the survey, are as follows:

- *"77 per cent of Victorian adults have taken part in gambling activities in the past twelve months (7 per cent lower than 1994 and the same level as 1992);*
- *The usage of casino facilities has increased significantly, up from 7 per cent in 1994, which reflected Victorian patronage of interstate and/or overseas casinos, to 21 per cent in June 1995 which reflected the first year of operation of the casino;*
- *The opening of the casino has had little effect on gaming venues in the past year;*
- *The claimed average weekly outlay was \$18 for all adult Victorians. However, the calculated weekly outlay was \$27 for adults. The claimed weekly outlay is based on a direct question to respondents when they were asked how much they spend a week on gambling. However, the calculated weekly outlay has been based on information obtained from respondents in relation to the frequency of gambling on each activity and the amount spent per visit and converted to a weekly basis. These figures were significantly higher for regular electronic gaming machine/casino patrons (estimated \$50 and calculated \$73 outlay per week);*
- *The average claimed weekly outlay increased from \$16 in 1992 to \$20 in 1994. However, this has fallen slightly to \$18 in 1995 (previous surveys did not provide for calculated outlay);*



- *Adult Victorians who had a specific gambling budget were more likely to gamble. 45 per cent of gamblers identified that the source of gambling funds came from housekeeping/living costs, 22 per cent identified that funds came from the personal/household entertainment budget, 18 per cent identified that funds came from savings, 3 per cent identified that they had a specific gambling budget and 12 per cent identified that funding came from other sources;*
- *The number of respondents who indicated that they perceived "gambling as a serious social problem" remained high at 63 per cent of those surveyed, down from 65 per cent in the 1994 survey; and*
- *Significant variations occurred in the consultant's findings in relation to the number of problem gamblers. The part of the survey conducted on electronic gaming machine/casino users identified the percentage of problem gamblers as 1.25 per cent of adult Victorians, whereas the survey of the general community identified the problem gambler percentage at 0.5 per cent of adult Victorians."*

**4.50** The Authority has publicly stated that it intends to conduct further surveys of community gambling patterns at regular intervals to provide a trail of information on changes in community gambling problems over time. **The Authority considers that such information will assist in establishing an historical perspective of the development of gambling in Victoria as part of its wider program of research into the social impact of gambling.**

**Appropriateness of initial research focus**

**4.51** As mentioned in an earlier paragraph, the legislative framework governing the operation of the Fund places the highest priority on the undertaking of research into the social impact of gambling. Audit considers it is reasonable to infer, from this priority emphasis, that the significance placed on research by the legislation covers not only the timing or financial magnitude of research activity but also encompasses the quality and usefulness of research direction. This latter point relates to the appropriateness of research results in terms of enhancing ongoing government decision-making on gaming, e.g. by assisting in the formulation of policies and strategies designed to address or alleviate any adverse social ramifications arising from gambling activity.

**4.52** In audit opinion, from the perspective of both timing and financial magnitude, an aggregate outlay of \$364 200 on research by the Authority, representing just 0.6 per cent of total expenditure from the Fund, over the first 3½ years of the gaming industry in the State is not consistent with the legislative significance placed on research.



**4.53** In relation to qualitative aspects of the completed research, the focus, as explained in the earlier paragraph, has been strongly directed to the gathering of survey data on community perceptions. While such data does provide valuable material to the Authority on the community's behavioural trends over time, it does not address fundamental issues necessary for forming meaningful assessments of the social impact of gambling and, in particular, empirical information of a socio-economic nature which can be used as the basis for objectively measuring the social consequences of gambling. The restrictive nature of this survey data in terms of core research value was clearly emphasised in the June 1994 report of the Schilling Review which commented in the following terms on the research activity of the Authority's predecessor body, the Victorian Gaming Commission:

- *"For the three years from 1991-92 to 1993-94 since the Fund was established, research (actual and planned) has focused on community attitudes to gambling, gambling habits, economic effects of gaming machines and the impact on tourism.";*
- *"No research has been conducted to collect baseline socio-economic data to measure the impact of electronic gaming on the community, nor to estimate the number of problem gamblers prior to the introduction of electronic gaming in Victoria as the basis for measuring the social impact of gaming machines, as required under s 138 (7) of the Gaming Machine Control Act 1991.";*
- *"In general, there is a need to review the management by the Victorian Gaming Commission of the research conducted through this Fund. In the opinion of the Review strategic management of this area is critical.";* and
- *"The Review recommends that the Commission place a higher priority on the application of the Research and Development Fund for the collection of benchmark socio-economic data as a means of measuring the social impact of gaming, and generally ensure that it has established procedures and has the capacity to initiate and where necessary conduct authoritative research."*

**4.54** From July 1994, the Authority began directing attention to development of a strategic framework for its research (this framework is commented on in later paragraphs of this Part of the Report). In February 1995, after receiving the approval of the Minister, the Authority initiated preliminary planning on a major research project designed to accommodate the recommendations of the Schilling Review. This project, which the Authority has titled its Baseline Database Project, is discussed in the following paragraphs. It has become the pivotal element of the Authority's research program.

**4.55** It was only from early 1995, around 2½ years after commencement of gaming operations in the State, that the direction of research into the social impact of gambling began to equate with the major significance placed on such research by the legislation.



**□ RESPONSE** provided by Secretary, Department of Premier and Cabinet

*At the time that the Schilling Report was released, in June 1994, the gaming industry was less than 2 years old, the Casino had not commenced operations, and the Victorian Casino and Gaming Authority had only come into existence on 3 June 1994.*

*The Authority implemented the recommendations of the Schilling Report in relation to this matter, and established a Research Committee. In September 1994 the Committee then appointed consultants to develop a research charter and a strategic plan.*

*An important facet of the consultants' work in developing the research charter and a strategic plan was that they should consult widely, not only with stakeholders, but with community and church groups, to ascertain their views as to how research undertaken should be focused.*

**□ RESPONSE** provided by Chairman, Victorian Casino and Gaming Authority

*The members of the Authority are of the view that the expenditure on research has, in all the circumstances, been appropriate. Further, they consider that the Community Gambling Patterns surveys that have been undertaken are essential in providing a developing picture of the gambling industry as it extends its base in Victoria.*

*While it is not the Authority's intention to engage in a lengthy defence of the research activity of its predecessor bodies, it should be noted that at the time the Schilling Report was publicly released - in June 1994 - the gaming industry was less than 2 years old, there were fewer than 15 000 machines operating in the market, and the Casino had not commenced operations. Any large-scale research activity into the social and economic effects of gambling, before the industry had developed to a point where any such effects could reasonably be identified, would have been a pointless, wasteful activity. The action that was taken was appropriate in the circumstances.*

*The Victorian Casino and Gaming Authority came into existence on 3 June 1994. The Authority only became aware of the recommendations of the Schilling Report on its public release on 21 June 1994, and moved quickly to create a Research Committee. This Committee determined that, in order to approach the task of research into the social and economic consequences of gambling in an orderly and cohesive way, it should develop a research charter and a strategic plan. This was considered essential in order that there would be a coherent, efficient and transparent approach to its research endeavours. Consultants were appointed in September 1994 to undertake this task.*

*An important facet of the consultants' work was that they should consult widely, not only with stakeholders, but with community and church groups, to ascertain their views as to how research undertaken by the Authority should be focused.*

**Nature and emerging significance of the Authority's Baseline Database Project**

**4.56** On 20 December 1995, the Premier announced that "... the number of gaming machines in operation will be restricted to 27 500 pending a comprehensive research study by the Victorian Casino and Gaming Authority and independent researchers into the social and economic effects of gaming". This announcement was made against a background of increasing community debate concerning the impact of the growth in gaming activity within the State.



**4.57** The comprehensive research study referred to in the Premier's announcement involved the Authority's current Baseline Database Project. This research project is designed to provide information on how the community gambles and the impact of gambling on individuals and groups in Victoria and on the economy. The Authority advised audit that it considers this project to be a world leader in terms of social research in this area.

**4.58** The Baseline Database Project was initiated in February 1995 and its stated purpose is:

*"... to collect and integrate different sources and types of data relating to different aspects of gambling and the different types of social and economic impact to enable the Authority to provide answers to a range of fundamental questions such as who is gambling, why, where the money is coming from and the impact on individuals and the economy".*

**4.59** Throughout the period, February to December 1995, the Authority was involved in an extensive scoping and planning process for the project which it maintains was necessary to ensure that detailed costings and an assessment of the technical aspects of the project were adequately determined and in place prior to the commitment of substantial resources. The Authority has utilised the services of the Government's Office of Geographic Data Survey and the Australian Bureau of Statistics to assist in the development of specific aspects of the scoping and planning process.

**4.60** In November 1995, the Authority invited expressions of interest for the establishment of a geographic information system to support the Baseline Database Project and following this process the consultancy firm ESRI Australia was appointed to undertake this task. The objective set by the Authority for the project is:

*"... to establish an efficient, menu driven analysis and reporting information system that utilises modern data base technology, including geographic information systems, to facilitate regular reporting to the Authority and to the Minister on the social and economic impact of gambling".*

**4.61** Funding of up to \$255 770 has been approved by the Minister for Gaming for this phase of the project. At February 1996, no funds had been drawn down from the Community Support Fund in respect of the project.

**4.62** The Authority advised audit that, in addition to the Baseline Database Project, it had recently developed a suite of further research projects for consideration by the Minister.

**4.63** The Government has clearly signalled that the results of the research undertaken by the Authority will influence its future decisions on the maximum number of gaming machines approved to operate within the State. This factor, together with the marked growth in the level of gaming activity and the associated mounting community concern as to the possible social ramifications of this growth, accentuate the importance of the current research direction of the Authority. Effective progress by the Authority under its research program will clearly be critical.



**4.64** Through its Baseline Database Project, the Authority is now overseeing highly important research which, in its view, is advanced by world standards. The nature of this latest project and its underlying objectives and scope are directly consistent with the intention of the legislation dealing with research into the social impact of gambling.

□ *RESPONSE provided by Secretary, Department of Premier and Cabinet*

*The Database project is essentially a long-term project and can be expected to produce high quality output. However, the long-term nature of the project means that results will accrue over time.*

**Other current projects under the Authority's research program**

**4.65** As indicated in the earlier Table 4D, the following 3 research projects (in addition to the major Baseline Database Project) are currently in progress:

- research into the impact of electronic and casino gaming on bingo and other forms of minor gaming conducted by charitable, church and other non-profit organisations;
- the second survey of the economic effects of gaming on venues, as part of ongoing monitoring of the industry; and
- research into problem gambling with regard to the positive and negative perceptions of gambling.

**4.66** In line with the Authority's policy to disseminate the results of its research to the general public, reports on all completed research projects funded to date from the Community Support Fund into the social impact of gambling have been publicly released.

**4.67** While responses to the Second Survey of the Economic Effects of Gaming on Venues were received by the Authority up to October 1995, a report on the results of the research has not yet been publicly released. The Authority advised audit that it expects to publicly release the results of this research in May 1996.

**4.68** The Authority's research project titled *Assessment of the Impact of the Introduction of Electronic Gaming Machines on Charitable and Non-Profit Organisations* was undertaken by an external consultant who reported to the Authority in November 1995. The Authority indicated to audit that it has completed its analysis of the consultant's findings which is currently under consideration by the Government as part of the review of the *Lotteries, Gaming and Betting Act 1966*.

**4.69** As stated in Table 4D, the research underway by the Authority into the Positive and Negative Perceptions of Gambling commenced in December 1995 and is expected to be finalised in June 1996.



**4.70** It will be important that the Authority ensures the salient features of its research are publicly released as soon as possible after completion of individual projects.

*□ RESPONSE provided by Secretary, Department of Premier and Cabinet*

*There is a commitment to ensuring that research undertaken regarding the social and economic impact of gambling is publicly released.*

**Strategic approach to research adopted by the Authority**

**4.71** In July 1994, the Authority established a Research Committee, chaired by the Deputy Chairperson of the Authority.

**4.72** The Research Committee meets on an "as needs" basis, however, to date, minutes of the Committee's deliberations have not been prepared. In this regard, audit has emphasised to the Authority the importance of having in place an adequate documented trail of the Committee's proceedings and decisions.

**4.73** The Research Committee has overseen the development of a research strategy for the Authority in the form of a research charter which specifies the manner in which the Authority will achieve its statutory objective of funding research into and advising the Minister on the social impact of gambling. An external consultant, M. I. Murren Enterprises, was engaged in October 1994 to assist the Authority in the development of this research strategy. Liaison with principal industry participants and community and church groups occurred at the time to obtain their input into the strategy.

**4.74** From audit analysis, the key features of the charter are:

- a clear statement that the fundamental purpose of research conducted by the Authority is to gather data of a high quality and in a useable form which will enable it to provide policy advice to the Government on any issues and services required in a timely manner and carry out regulatory functions and recommend changes to those functions as appropriate;
- a commitment to undertake and/or commission such research as is necessary to ensure that the social and economic impact of gaming is thoroughly documented and understood for the benefit of the community, the Government and the industry;
- a definition of social impact as:
  - impact on individuals and families;
  - impact on communities and neighbourhoods;
  - cultural and social impact; and
  - socio-economic impact.
- a recognition that a primary requirement will be to ensure the provision of benchmark socio-economic data as a means of measuring the social impact of gaming;



- a scoping matrix which specifies that a comprehensive data and research base on the social impact of gambling would incorporate the following areas:
  - families and individuals;
  - communities/neighbourhoods;
  - society and culture; and
  - the economy.
- clear recognition that the identification and implementation of necessary longitudinal and consequential impact studies will be the province and responsibility of the Authority; and
- a commitment to disseminate results of its research wherever possible (taking into account commercial sensitivities) to government, commercial operators, other researchers, interest groups, media and the general public.

**4.75** In December 1995, the Authority met with representatives of the Victorian Council of Churches to outline the Authority's research function and current and future research projects. The Council has been invited to submit, for consideration by the Authority, research proposals on the social impact of gambling.

**4.76** In addition, a Ministerial Advisory Group on Social and Community Issues was established in November 1993 to advise the Minister for Gaming on social and community issues arising from gambling. This Advisory Group comprises representatives from the:

- Wesley Central Mission;
- Uniting Church;
- Victorian Council of Churches;
- Salvation Army;
- Victorian Council of Social Services;
- Society of St Vincent de Paul;
- Consumer Advocacy and Financial Counselling Association of Victoria; and
- relevant government agencies.

**4.77** The Advisory Group constitutes a forum through which community groups can comment and make submissions to the Authority on possible research projects.

**4.78** **Through the development of a research charter and other initiatives taken since late 1994, the Authority has progressively established a sound strategic framework for the management of its statutory responsibilities in respect of research into the social impact of gambling. In audit opinion, the improved focus and increasing relevance of its research activities during 1995 have essentially mirrored the setting up of this strategic framework.**

*□ RESPONSE provided by Secretary, Department of Premier and Cabinet*

*Activity on research has been heightened over the past 2 years, and it is seen as an ongoing priority.*

**Appropriateness of current allocation of responsibility for research**

**4.79** As previously mentioned, management responsibility for research into the social impact of gambling rests, under the legislation, with the Victorian Casino and Gaming Authority.

**4.80** The Authority's obligation to manage this research constitutes just one element of the spectrum of statutory responsibilities extending across the gaming industry which has been assigned to the Authority, as an independent statutory body. These responsibilities are outlined in the legislation as follows:

- *"to ensure that gaming on gaming machines is conducted honestly and that the management of gaming is free from criminal influence and exploitation;*
- *"to regulate the use of gaming machines in casinos and approved venues where liquor is sold;*
- *"to regulate the activities of key operatives in the gaming machine industry, including those who manufacture, supply, repair or own, or provide venues for and operate, machines;*
- *"to act as a source of advice to the Minister on gaming issues and to ensure that the Government's gaming policy on gaming is implemented;*
- *"to fund research into, and advise the Minister on, the social impact of gaming; and*
- *"to promote tourism, employment and economic development generally in the State through the administration of this Act".*

**4.81** While the tasks assigned to the Authority cover key regulatory and supervisory functions within the gaming industry, the organisation's role under the legislation also encompasses a significant promotional component in relation to tourism, employment and the State's economic development generally.

**4.82** It can be seen that the role of the Authority within the industry is far-reaching and can be directly influenced by any progressive growth or expansion of gaming activities. It could even be said that assessments of effectiveness of the Authority's performance in meeting its statutory objectives would need to take into account the extent to which it has facilitated expansion and growth in the industry in pursuit of its promotional goals and how well it has managed its regulatory functions within this expanding environment.

**4.83** When discussing this issue with the Authority, audit was advised that the Authority has determined not to have a direct role in matters relating to:

- increasing the size of the gambling market;
- expanding employment through the gambling industry;
- raising the level of revenue to the Government from gambling; and
- promotion of the gambling industry.

**4.84** In essence, the Authority indicated to audit that it does not participate in promotion of the industry as it viewed such activities to be in conflict with its regulatory role.

**4.85** Notwithstanding the Authority's stance to date on promotional activities and given that the legislation places the highest priority for distributions from the Fund on



research into the social impact of gambling, it is questionable whether the Authority's direct involvement in the management of research is totally complementary to its other statutory responsibilities. Audit feels that there would be merit in considering a changed arrangement under which the obligation to control and co-ordinate research was at arms-length to other key industry responsibilities of the Authority, e.g. the placement of responsibility for research with a central agency of government. Such an approach would help to ensure that consideration of the social consequences of gaming was not subject to any conflicting influence from other factors impacting on the direction of the gaming industry.

**4.86 Consideration should be given to legislative change under which the responsibility for managing and controlling research into the social consequences of gaming was independent of the regulatory and other statutory functions of the Authority.**

*□ RESPONSE provided by Chairman, Victorian Casino and Gaming Authority*

*The Report makes reference to a possible conflict between the Authority's statutory regulatory functions and its direct involvement in the management of research. While the allocation of functions within agencies is a matter for decision by the Government, strong exception is taken to the implication that the Victorian Casino and Gaming Authority may not have managed its research function properly. I reiterate that the facts show that research has been properly and responsibly managed.*

*The Authority is an independent statutory body with responsibility for regulating the gaming industry in accordance with the legislation, and it is essential that this fact be recognised in your report.*

*□ RESPONSE provided by Secretary, Department of Premier and Cabinet*

*The proposal raises a matter for policy consideration by Government.*

**Research on problem gambling by the Department of Human Services**

**4.87** The preceding paragraphs have discussed research into the social impact of gambling which, under the legislation, is a specific responsibility of the Victorian Casino and Gaming Authority.

**4.88** In quite separate research to that involving the social impact of gambling, the Department of Human Services is managing research aimed at assessing the effectiveness of services provided to assist problem gamblers. Funding of \$1.5 million was approved by the Minister for Gaming from the Community Support Fund for this research.



**4.89** Because the research will directly focus on problem gambling services under development across the State (such development has been financed from the Fund), it is currently at a very early stage. Audit was advised by the Department that the research program will extend over a 3 year period and it is expected that the results of the research will enhance the design and direction of the newly developed problem gambling services.

**4.90** Regular consultation has occurred between the Department and the Authority on their respective research programs so that, as far as practicable, the programs can be complementary to each other.

<p><b>DISTRIBUTIONS FOR PURPOSES OF SPORT AND RECREATION, COMMUNITY SERVICES AND YOUTH HOMELESSNESS</b></p>
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**4.91** The *Gaming Machine Control Act* 1991 provides that, after the allocation of funds to research into the social impact of gambling, 70 per cent of remaining funds can be distributed for the following purposes:

- the benefit of sport and recreation clubs or programs;
- community services covering:
  - financial counselling services;
  - support and assistance for families in crisis;
  - programs for the prevention of compulsive gambling; and
  - programs for the treatment or rehabilitation of persons who are compulsive gamblers; and
- government initiatives on youth homelessness.

**4.92** Aggregate approved distributions from the Fund for the above 3 expenditure categories up to the end of February 1996 have totalled \$128.1 million. Tables 4E, 4F, and 4G provide details of the approved distributions in date of approval order and actual expenditure under each category.

*Distributions for sport and recreation clubs or programs*

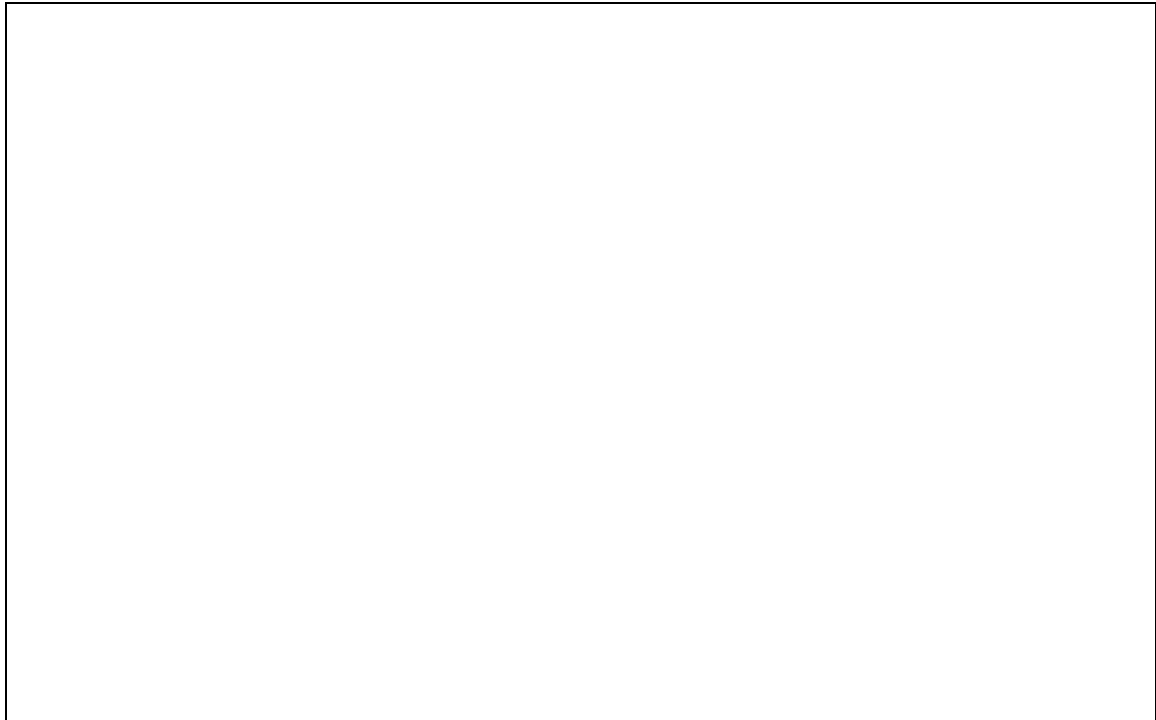
**TABLE 4E  
DISTRIBUTIONS TO SPORT AND RECREATION CLUBS  
OR PROGRAMS UP TO FEBRUARY 1996**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
Financial assistance for the Australian Masters Games	125	May 93	1992-93 to 1993-94	125
Urgent repairs to the Albert Park Squash Centre	90	May 93	1992-93	37
Construction and fit out of the Melbourne Sports and Aquatic Centre	43 500	Jun. 94	1992-93 to 1996-97	10 400
Altona Softball/Baseball Centre - upgrade and redevelopment of the second baseball/softball pitch	25	Dec. 94	1994-95	25
Additional funding for the construction and fit out of the Melbourne Sports and Aquatic Centre	13 000	Jul. 95	1996-97	-
Victorian Institute of Sport Athlete Program - scholarships and development	2 680	Jul. 95	1995-96 to 1999-2000	178
Contribution towards prize money for the 1996 and 1997 Ford Australian Tennis Opens (a)	750	Oct. 95	1995-96 to 1996-97	375
Provision of floodlighting at the South Melbourne Soccer Ground	357	Oct. 95	1995-96	276
Moomba Masters water skiing event	50	Dec. 95	1995-96	-
Feasibility studies in respect of a Veledrome	50	Jan. 96	1995-96	-
Royal Park sports precinct feasibility study	45	Jan. 96	1995-96	-
<b>Total</b>	<b>60 672</b>			<b>11 416</b>

(a) An equivalent amount of funding was also approved for this distribution under the promotion of tourism expenditure category, as presented in Table 4I.

**4.93** It can be seen that the major project allocated funding under the sport and recreation expenditure category is the construction and fit out of the Melbourne Sports and Aquatic Centre. At February 1996, an amount of \$56.5 million had been approved by the Minister for Gaming for financing the construction and fit out of this Centre, which is situated at Albert Park, and will, when completed, be the largest integrated sports and leisure facility of its type in Australia. Construction of the Centre commenced in early 1996 and is scheduled to be completed in early 1997. The distribution for this project represents the largest approved allocation of funding to date from the Community Support Fund.

**4.94** Responsibility for overseeing the construction of the Centre rests with the Major Projects Unit within the Department of Infrastructure.



*A model of the proposed \$65 million Melbourne Sports and Aquatic Centre, financed primarily by the Community Support Fund.*

**4.95** Although construction of the Centre did not start until early 1996, an amount of \$10.4 million was advanced as early as June 1994 from the Fund to be held in trust by the former Department of Arts, Sport and Tourism for the project. A decision was subsequently taken by the former Secretary of the Department that no further funding would be provided in advance for the project. With the construction phase now gathering momentum, the amount of \$10.4 million is being progressively drawn down. In addition an amount of \$1 million, representing interest earned on the advance payment, will be used for construction of the Centre and has been included in the approved allocation of \$56.5 million from the Fund.

**4.96** The Director of the Community Support Fund Unit advised audit that future distributions from the Fund for construction of the Centre will only be made to the Department of Infrastructure upon receipt of documentary evidence of imminent expenditure.

Distributions for community services

**TABLE 4F  
DISTRIBUTIONS FOR COMMUNITY SERVICES UP TO FEBRUARY 1996**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
<b>Financial counselling services</b>				
Expansion of financial counselling services throughout the State.	1 743	Dec. 94	1994-95 to 1996-97	531
<b>Support and assistance for families in crisis</b>				
Contribution to the administrative costs of the Melbourne Foodbank for 1994 calendar year.	100	Oct. 93	1994	100
Families in Crisis Program - This distribution was approved to fund a contingency plan aimed at assisting the Department of Human Services to cope with the extremely high rate of increase in the notifications of child abuse following the introduction of mandatory reporting in November 1993. The funding enabled the Department to employ additional child protection staff.	1 850	Mar. 94	1993-94 to 1994-95	1 850
Provision of funding to the Melbourne Foodbank to enable it to expand its operations Statewide.	300	Dec. 94	1993-94 to 1996-97	125
Early Intervention, Identification and Prevention Program - The objectives of this Program are to improve parenting knowledge, skills and experience, to increase parenting confidence and independence and to develop positive, protective parent-child relationships. Implementation of the Program is expected to result in reduced levels of child abuse, domestic violence, family breakdown, homelessness, juvenile crime and youth suicide.	5 900	Dec. 94	1994-95 to 1996-97	1 193
Family Respite and Support Services Program - This Program is concerned with the provision of flexible funding for families to support young children with severe disabilities and those who are technologically dependent (e.g. children requiring respiratory aids).	5 508	Dec. 94	1994-95 to 1996-97	1 645
Family Support for Victims of Child Abuse and Neglect Program - This Program seeks to provide additional funding to Centres Against Sexual Assault to expand services to children who have been abused and their families in an increased number of locations, including other agencies used by families.	3 700	Dec. 94	1994-95 to 1996-97	1 093
Contribution to the Geelong Foodbank for the operating costs of a food distribution outlet.	116	Jul. 95	1995-96 to 1997-98	29
Establishment of the Parent Help Line to assist families in crisis by immediate support and referral to a range of counselling services.	840	Oct. 95	1995-96 to 1998 -99	-
Grant to The Smith Family for the extension of current activities such as financial counselling and emergency relief to families in crisis.	750	Nov. 95	1995-96 to 1998-99	63
<b>Prevention of compulsive gambling</b>				
Community Education on Problem Gambling - This distribution was approved for the development of a community education campaign to raise awareness of the possible impact of gambling and to inform problem gamblers and their families of available support services. The campaign involves television, radio and billboard advertising.	2 509	Jul. 95	1995-96 to 1997-98	1 237



**TABLE 4F**  
**DISTRIBUTIONS FOR COMMUNITY SERVICES UP TO FEBRUARY 1996** - *continued*

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
<b>Treatment or rehabilitation of persons who are compulsive gamblers</b>				
Problem Gambling Program - This Program is directed towards the development and establishment of a Statewide problem gambling services strategy involving a Statewide telephone counselling service, 12 problem gambling services situated across the State, community education, a training strategy for counsellors and research projects in relation to problem gambling.	4 143	Mar. 94	1993-94 to 1995-96	3 967
Problem Gambling Program Expansion - This distribution was approved to increase the resources available to problem gambling counselling services across the State.	4 221	Oct. 95	1995-96 to 1998-99	429
City-Based Problem Gambling Service - This is a pilot project based in the Melbourne central business district which is designed to provide an integrated problem gambling and financial counselling service.	655	Oct. 95	1995-96 to 1998-99	67
Computer Information and Referral Network - This project is intended to enhance the efficiency and effectiveness of agencies providing problem gambling and financial counselling services through the establishment of a computerised information and referral link between them.	2 704	Oct. 95	1995-96 to 1998-99	-
Statewide Family Skills Centres and Regional Family Resources Centres Program - This is a pilot program targeting families with children less than 18 years old where parenting problems are complicated by problem gambling and other financial difficulties. The Program is designed to utilise Statewide Family Skills Centres and Regional Family Resources Centres to co-ordinate family education and counselling to supplement existing problem gambling services.	6 562	Oct. 95	1995-96 to 1998-99	137
Innovative Service Models for Non-English Speaking Background (NESB) Communities - This is a program designed to make problem gambling and financial counselling services more accessible and responsive to the needs of individuals and families from NESB who are experiencing problem gambling and/or financial problems.	2 070	Oct. 95	1995-96 to 1998-99	-
Innovative Approaches to Financial Counselling - This is a program which targets individuals or families experiencing financial crisis or chronic financial difficulty, including as a result of problem gambling. The aim of the program is to expand the number of financial counselling services across the State with a focus on developing innovative approaches to financial counselling.	2 921	Oct. 95	1995-96 to 1998-99	-
Research studies to assist in the design of future problem gambling, financial and family counselling services.	1 506	Oct. 95	1995-96 to 1998-99	-
<b>Total</b>	<b>48 098</b>			<b>12 466</b>

**4.97** It can be seen that distributions have been approved from the Fund for a wide range of specific community services and programs with special emphasis on support and assistance for families in crisis, and on programs for problem gamblers.



**4.98** The value-added in terms of community benefit which can be derived from the very existence of the Fund is reinforced by the fact that many of the distributions in this area have been largely provided to support programs which address service gaps in the normal service delivery framework of the Department of Human Services (e.g. the expansion of financial counselling services and the Family Respite and Support Services Program). These programs have been designed in some cases to pilot innovative approaches to service delivery.

*Distributions for government initiatives on youth homelessness*

**TABLE 4G  
DISTRIBUTIONS FOR GOVERNMENT INITIATIVES  
ON YOUTH HOMELESSNESS UP TO FEBRUARY 1996**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
Street Kids - supported accommodation assistance program.	1 000	May 93	1992-93	1 000
Youth Homelessness Crisis Accommodation (capital facilities program) - This program is designed to provide assistance for the upgrade and/or expansion of accommodation for homeless young people and capital facilities used to provide services for homeless young people.	1 925	Mar. 94	1993-94 to 1995-96	1 143
Intensive Youth Support Services Program - The objective of this Program is to provide alternative accommodation and intensive support for young people currently accessing the night shelters operated by Hanover Welfare Services, St Vincent de Paul and the Salvation Army.	1 575	Mar. 94	1993-94 to 1995-96	525
Sexual Assault Counselling Services Program - This Program assists young people who are victims of sexual assault and whose needs are unable to be met by existing services.	1 380	Mar. 94	1993-94 to 1995-96	479
Family Reconciliation and Support Services Program - This Program aims to prevent irreconcilable family breakdown and homelessness among young people through the early detection of problems and the provision of support and mediation to assist families and young people.	1 620	Mar. 94	1993-94 to 1995-96	1 080
A grant to Open Family Inc. to support its outreach services to homeless young people in the inner suburbs of Melbourne.	25	Jul. 94	1994-95	25
Housing Access and Support Services Program - This Program is designed to address the need for longer-term housing for homeless young people capable of independent living.	1 900	Oct. 94	1994-95 to 1996-97	408
Intensive Training and Employment Support Program - The Program aims to provide intensive one-on-one support to disadvantaged young people to assist their participation in employment, education and training programs.	5 100	Oct. 94	1994-95 to 1996-97	1 094
Parent Education and Support Program - The Program targets parents of adolescents where there is family conflict and difficulties in family relationships that may lead to family breakdown.	1 800	Oct. 94	1994-95 to 1996-97	325



**TABLE 4G**  
**DISTRIBUTIONS FOR GOVERNMENT INITIATIVES**  
**ON YOUTH HOMELESSNESS UP TO FEBRUARY 1996 - continued**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
Capital funding for major infrastructure development for homeless youth to establish major capital facilities for emergency accommodation and/or support services for homeless youth in high need suburban and country areas.	2 000	Jul. 95	1995-96	217
Capital funding to provide inner urban accommodation for rural young people to prevent homelessness.	1 000	Jul. 95	1995-96	-
<b>Total</b>	<b>19 325</b>			<b>6 296</b>

**4.99** As was the case with the previous expenditure category, distributions covering a wide range of programs managed by the Office of Youth Affairs have also been approved from the Fund to target the problem of youth homelessness.

**4.100** The largest distribution to date in this area involves an amount of \$5.1 million for the Intensive Training and Employment Support Program. Under this Program, early school leavers and young people who are not in stable education, employment and training are recognised as some of the most disadvantaged groups of young people in terms of their long-term futures.

**4.101** According to the information provided by the Office of Youth Affairs in its application for funding, experiences from programs piloted in Victoria suggest that intensive one-on-one supports are required to assist disadvantaged young people participate in employment, education and training programs. In addition to this intensive support, on-the-job training and work experience opportunities need to be developed so that these young people can gain practical work-based skills.

**4.102** Accordingly, the Intensive Training and Employment Support Program is aimed at:

- providing intensive support to disadvantaged and homeless young people to address barriers to their effective participation in education and in employment and training programs;
- filling the current gap between schools and employment and training providers and social support systems to ensure young people have the necessary social supports in place to enable them to improve their economic and social position; and
- offering practical opportunities for disadvantaged young people to gain work-based skills.

**4.103** The Program draws on the successful elements of other projects and pilot programs in Victoria and aims to expand training and employment support initiatives on a Statewide basis.

## DISTRIBUTIONS FOR THE PROMOTION OF THE ARTS AND TOURISM

**4.104** The legislation provides for the balance of the Fund remaining after distributions for research into the social impact of gambling and for purposes of sport and recreation, community services and youth homelessness, to be used for the promotion of the arts and tourism.

**4.105** Up to the end of February 1996, approved distributions from the Fund for the promotion of the arts and tourism have totalled \$39.8 million. Tables 4H and 4I provide details of distributions in date of approval order and expenditure incurred for each distribution.

### *Distributions for the promotion of the Arts*

**TABLE 4H  
DISTRIBUTIONS FOR THE PROMOTION OF THE ARTS UP TO FEBRUARY 1996**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
Provision of an interest-free loan to the Victorian State Opera to improve its financial viability.	2 400	Mar. 93	1992-93 to 1993-94	2 400
One-off grant towards the operating costs of the 1993 Moomba Festival.	80	May 93	1993-94	80
Acquisition of the Ken Pound Australian Children's Book Collection.	360	Mar. 94	1993-94	360
Installation of a temporary horticultural display in the Queen Victoria Gardens for the 1994 Melbourne International Festival of the Arts.	250	Mar. 94	1993-94	250
Old Treasury Building - Ground Floor Exhibition, including Melbourne's architectural/building heritage and major current projects.	295	Apr. 94	1994-95	295
Contribution towards the conversion of the Castlemaine Library Hall into a Community Performing Arts Centre.	110	May 94	1993-94	110
Installation of an air-conditioning system at the Jewish Museum of Australia.	125	Sept. 94	1994-95 to 1995-96	125
Eureka Anniversary Exhibition - Contribution to the establishment of a touring exhibition and to the rehosing and preservation of the Eureka flag.	115	Sept. 94	1994-95 to 1995-96	115
Floodlighting of the exterior walls of the National Gallery of Victoria building.	115	Sept. 94	1995-96	-
Relocation of the Sale Regional Arts Centre.	621	Oct. 94	1993-94 to 1994-95	621
Financial assistance for the construction of Stage 1 of the Frankston Cultural Centre.	500	Jan. 95	1994-95 to 1995-96	500
Contribution to the Victorian College of the Arts for the fit out of the cinema for the new School of Film and Television.	250	Jan. 95	1995-96 to 1996-97	-
Contribution towards the improved presentation of the Australian Film Institute Awards on the condition that they are held in Victoria for 3 years.	750	Jul. 95	1995-96 to 1997-98	250
Contribution towards construction of a 500 seat performing arts centre at Mooroopna Secondary College.	400	Jul. 95	1995-96 to 1996-97	-
Royal Botanic Gardens Arts Programing - A program to deliver a series of cultural events in the grounds of the Royal Botanic Gardens.	200	Jul. 95	1995-96 to 1996-97	-

**TABLE 4H**  
**DISTRIBUTIONS FOR THE PROMOTION OF THE ARTS UP TO FEBRUARY 1996 - continued**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
Creation of an Arts Victoria/Opera 2000 Development Fund which will make \$1 million available to the Victoria State Opera over 5 years on a \$ for \$ basis for the creation and presentation of 5 new productions.	1 000	Nov. 95	1995-96 to 1999-2000	-
Contribution towards Stage 1 of the Lilydale Museum Redevelopment, which involves restoration of the museum building and construction of new public amenities and exhibition space.	220	Jan. 96	1996-97	-
Establishment of an annual Melbourne Fashion Festival with the aim of establishing Melbourne as the fashion capital of Australia and positioning Melbourne on the international fashion circuit (a).	225	Feb. 96	1995-96 to 1997-98	-
<b>Arts 21 initiatives -</b>				
Alterations and refurbishment of the Geelong Art Gallery.	200	Mar. 94	1993-94	200
Establishment of the Melbourne Film Office to attract film and television production to Victoria.	500	Mar. 94	1993-94 to 1994-95	500
Capital contribution on a \$ for \$ basis with the City of Greater Geelong for the development of the National Wool Museum.	400	Mar. 94	1993-94 to 1994-95	400
Contribution towards an expanded Bendigo Art Gallery through the redevelopment of the existing site, in conjunction with the renovation and refurbishment of adjoining premises.	750	Mar. 94	1994-95 to 1996-97	11
The establishment of the Vicnet-Library Information Network.	390	Apr. 94	1993-94 to 1994-95	390
Melbourne Maritime Museum - Contribution to labour costs of building a replica of the schooner "Enterprise".	100	May 94	1993-94	100
Refurbishment of the George Fairfax Studio within the Victorian Arts Centre.	355	Sept. 94	1994-95 to 1996-97	320
Increased seating capacity for the Geelong Performing Arts Centre.	150	Sept. 94	1994-95 to 1996-97	150
The Victoria Commissions - a program which involves the commissioning of new works of art by Victorian artists.	2 200	Oct. 94	1994-95 to 2001-02	2 100
International Export and Touring Fund - A program providing financial assistance for international touring to Victorian arts and cultural organisations.	600	Dec. 94	1994-95 to 1996-97	248
Arts Victoria Cultural Exchange Program - This Program aims to enhance the State's international standing and reputation for the arts.	450	Dec. 94	1994-95 to 1996-97	209
Establishment of the Arts Victoria Leadership Fund to facilitate a training and development program for Victorian arts managers.	1 000	Dec. 94	1994-95 to 1999-2000	129
Arts Victoria, Arts Marketing Task Force - A project designed to promote best practice marketing in the Victorian arts industry.	750	Dec. 94	1995-96 to 1997-98	4
Establishment of the Film Victoria, Victorian Multi Media Awards for Excellence.	300	Dec. 94	1995-96 to 1996-97	102

(a) An equivalent amount of funding was also approved for this distribution under the promotion of tourism expenditure category, as presented in Table 4I.

**TABLE 4H**  
**DISTRIBUTIONS FOR THE PROMOTION OF THE ARTS UP TO FEBRUARY 1996 - continued**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
<b>Arts 21 initiatives - continued</b>				
Contribution towards the development of a world class 3 day Moomba International River Festival.	300	Dec. 94	1995-96 to 1996-97	150
Arts Victoria Innovation in Design Awards - acknowledging and promoting the creative achievements of the Victorian design industry.	500	Dec. 94	1995-96 to 1998-99	-
Contribution towards the development of the Playbox/ Malthouse Front Tower, involving restoration of the roof and building facade and expansion of facilities at the Malthouse.	500	Dec. 94	1995-96 to 1996-97	76
Financial assistance for the State Film Centre to engage consultants to undertake a feasibility study in respect of the establishment of an Australian Centre for the Moving Image.	100	Dec. 94	1994-95 to 1995-96	72
Funding for the implementation of major cultural tourism projects by Arts Victoria in conjunction with the Arts Industry Tourism Council and Tourism Victoria.	200	Dec. 94	1994-95 to 1995-96	23
Contribution to Film Victoria towards the cost of a feasibility study into the establishment of a multimedia expo market in Melbourne.	50	Dec. 94	1994-95 to 1995-96	24
Funding of annual Arts Victoria Visual Arts Awards for the recognition and assistance of visual artists.	750	Dec. 94	1995-96 to 1999-2000	-
Arts Heroes Feasibility Study - A study of the feasibility of a program designed to increase arts sponsorship through the recognition of sponsorship.	50	Dec. 94	1995-96	-
Acquisition and renovation of premises for Circus Oz.	500	Jun. 95	1995-96	201
Financial assistance to the Melbourne Symphony Orchestra to facilitate expansion of the orchestra, development of its public profile, international touring potential and sponsorship base.	1 800	Jul. 95	1995-96 to 1997-98	-
Redevelopment and refurbishment of existing Dancehouse premises to provide a specific world class dance facility to create a point of focus for the Victorian dance sector.	250	Jul. 95	1995-96	-
Financial assistance to provide Film Victoria with the interactive multimedia capability to access multimedia products or information from external databases to enable it to act as an industry assistance agency in developing new media arts and technologies in Victoria.	200	Jul. 95	1995-96	-
Operating expenses of the project team involved in developing a National Air and Space Museum of Australia at Point Cook.	140	Nov. 95	1995-96	139
Establishment of an Arts Facilities Development Fund within Arts Victoria to finance the development and construction of arts facilities.	300	Nov. 95	1995-96 to 1996-97	-
<b>Total</b>	<b>21 801</b>			<b>10 654</b>

**4.106** A large number of the projects funded for the promotion of the Arts have been initiatives under the Government's major strategy for the Arts in Victoria, namely, *Arts 21*.



**4.107** The Victoria Commissions program, also a major *Arts 21* initiative, involves the establishment of a fund of \$2.2 million financed from the Community Support Fund. The stated purpose of the Victoria Commissions program is to "... enable new works to be commissioned by Victorian arts companies towards future public performance, presentation or publication. It will provide a focus for celebrating the creativity of Victorian artists, and offer an enduring investment in the future viability of the Arts".

*Distributions for the promotion of tourism*

**TABLE 4I**  
**DISTRIBUTIONS FOR THE PROMOTION OF TOURISM UP TO FEBRUARY 1996**

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
Contribution to Ski Victoria for a marketing campaign to increase visitation by inter and intra state tourists to Victorian alpine resorts.	600	May 93	1993-94	600
Werribee Zoo Park Master Plan Stage 1 - The purpose of the Plan is to increase visitation to the Zoo.	500	Sept. 94	1994-95 to 1995-96	500
Royal Botanic Gardens signage.	200	Sept. 94	1994-95 to 1995-96	200
Interest-free loan for the development and production of Sky Show Down-Under at the Rialto Theatre.	1 016	Sept. 94	1994-95 to 1995-96	1 010
Regional Tourism Monitoring Program - A market research survey program to obtain statistics regarding tourism activity in Victoria's regional areas.	600	Sept. 94	1994-95 to 1996-97	284
Tourism Information Network - to establish a network of tourist information outlets within Victoria.	240	Sept. 94	1995-96	32
Port Phillip Bay Bid for the 1998 America's Cup.	1 500	Jan. 95	1994-95	1 500
Contribution towards the construction of the Bendigo Chinese Museum Classical Gardens.	350	Mar. 95	1995-96 to 1996-97	-
Development of a management and marketing plan for the Coal Creek Historical Village.	20	Apr. 95	1995-96	19
EVA Airways tourism promotion in Taiwan involving the marketing of twice weekly services from Taipei to Melbourne.	300	May 95	1995-96	-
City of Ballarat EUREKA project - This project involves the development of a EUREKA Rebellion Interpretative Centre and the integration of other memorials at Ballarat.	2 400	Jul. 95	1995-96 to 1996-97	-
Contribution towards the construction of the Gum San Chinese Pagoda on the City of Ararat's founding site, incorporating a museum, seminar and meeting room facilities and a restaurant.	600	Jul. 95	1995-96 to 1996 97	-
Contribution towards the development of the Warburton Visitor Information Centre.	250	Jul. 95	1995-96 to 1996-97	-
Development of visitor facilities and the creation and enhancement of displays at Sovereign Hill, Ballarat.	422	Jul. 95	1995-96	-
Contribution towards stage 1 of a major expansion program on the Emerald Tourist Railway.	500	Jul. 95	1995-96	-
Establishment of a Geelong and Great Ocean Road Visitor Information Centre.	150	Jul. 95	1995-96	-
Establishment of a catering facility at the BUDA Historic Home and Garden, Castlemaine.	150	Jul. 95	1995-96	4
Establishment of a transportable display promoting tourism in Victoria for use at the Atlanta Olympics, the Mexico World Athletic Championships and the 1998 World Soccer Cup as a lead- up to the Sydney 2000 Olympics.	188	Jul. 95	1995-96	-

TABLE 4I  
DISTRIBUTIONS FOR THE PROMOTION OF TOURISM UP TO FEBRUARY 1996 - continued

<i>Distributions</i>	<i>Approved distribution (\$'000)</i>	<i>Date approved</i>	<i>Period approved</i>	<i>Actual expenditure (\$'000)</i>
Establishment of a Victorian tourism display and interactive information centre at Old Customs House in Sydney.	260	Jul. 95	1995-96	-
Development and installation of an integrated system of tourism signage at the international arrivals area at Melbourne Airport to introduce visitors to tourism products in Melbourne and Victoria.	300	Jul. 95	1995-96	-
Contribution towards stage 1 of the development of an Australian habitat zone at Melbourne Zoo.	500	Jul. 95	1995-96 to 1996-97	-
Construction of a Sunraysia Visitor information Centre by the Sunraysia Development Corporation to promote and interpret the natural features of the area.	100	Jul. 95	1995-96	-
Establishment of an annual Melbourne International Flower and Garden Show.	200	Jul. 95	1995-96 to 1996 97	150
Feasibility and planning studies for major projects identified in a review of infrastructure along the Great Ocean Road.	50	Aug. 95	1995-96	13
Contribution towards the preparation of integrated Tourism Development Plans for each of 12 product regions of regional Victoria to facilitate strategically co-ordinated development of tourism in Victoria.	720	Aug. 95	1995-96 to 1996-97	-
Contribution towards prize money for the 1996 and 1997 Ford Australian Tennis Opens (a).	750	Oct. 95	1995-96 to 1996-97	375
Staging in Melbourne of the Austrian Musikanten Stadl folk festival in September 1995.	200	Nov. 95	1995-96	-
Funding for development of a CD-ROM based computer program which will enable detailed access by industry and investors to Victorian regional tourism survey data.	150	Nov. 95	1995-96 to 1996-97	-
Program for a major upgrade of regional tourism signage.	3 450	Nov. 95	1995-96 to 1997-98	-
Funding for international airline promotions to improve inbound demand for Victoria as a destination.	395	Jan. 96	1995-96 to 1996-97	-
Funding support to the Victorian Wineries Tourism Council to partly fund the Victorian display at the Wine Australia '96 event to be held in Sydney in June 1996.	100	Jan. 96	1995-96	-
To develop the National Wool Week Festival in Geelong into a major promotional event by funding an event organiser and the development of business and marketing plans and growth strategies.	150	Jan. 96	1995-96 to 1997-98	-
Financial assistance to the National Trust of Australia (Victoria) for Stage 1 of the Como House Tourism Enhancement Project, including construction of a gatehouse, information centre, tourist bus park, gift shop/cafe and museum space.	470	Jan. 96	1996-97	-
Establishment of an annual Melbourne Fashion Festival with the aim of establishing Melbourne as the fashion capital of Australia and positioning Melbourne on the international fashion circuit (b).	225	Feb. 96	1995-96 to 1997-98	-
<b>Total</b>	<b>18 006</b>			<b>4 687</b>

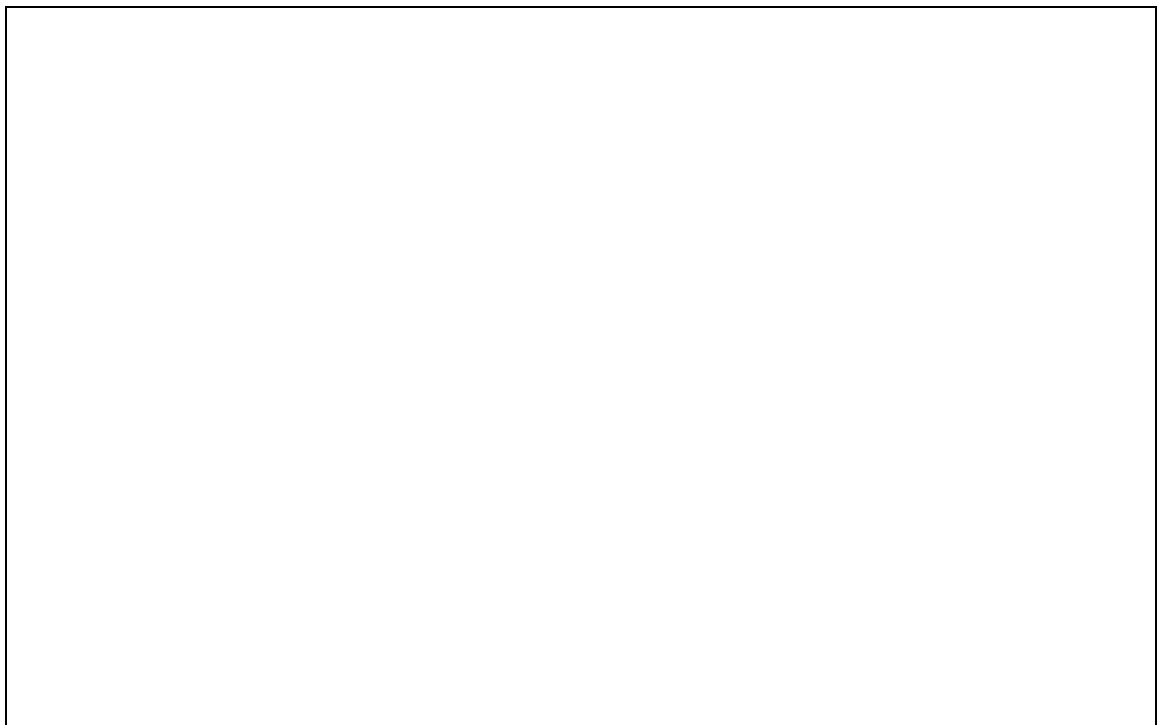
(a) An equivalent amount of funding was also approved for this distribution under the sport and recreation expenditure category, as presented in Table 4E.

(b) An equivalent amount of funding was also approved for this distribution under the promotion of the arts expenditure category, as presented in Table 4H.



**4.108** Distributions from the Fund for the promotion of tourism have included the provision of an interest-free loan of \$1.010 million for the development and production of the *Sky Show Down Under* Project at the Rialto Theatre. This project involved refurbishment of the Rialto Theatre, production of the film *"Melbourne, the Living City"* and associated administrative costs. In December 1993, the Premier committed financial assistance from the Government for this project but without specification of the source of funding. Ministerial approval for the assistance to be provided from the Fund was given in September 1994.

**4.109** Under an agreement entered into by the Premier and the Rialto Joint Venture (a joint venture comprising Grollo Australia Pty Ltd and St Martins Victoria Pty Ltd), the Rialto Joint Venture is required to repay the interest-free loan by remittance to the State of an amount of \$1 from each gross admission fee collected for the screening of the film at the Theatre. As such, the loan will not be fully repaid until in excess of one million people have paid to see the film. The Community Support Fund Unit advised audit that, at February 1996, an amount of \$29 330 had been received from the Joint Venture. If the current rate of repayments continue, the loan is not likely to be fully paid until March 2010.



*Entrance to the Rialto Theatre which features the film "Melbourne, the living city".*



**4.110** The distributions from the Fund for the promotion of tourism have also included provision of an amount of \$1.5 million to the "One Australia" America's Cup Syndicate by way of a non-refundable rights fee in return for a guarantee that, should the Syndicate win the 1995 America's Cup, the 1998 Challenge would be held on Port Phillip Bay in Victoria. The negotiations between the Premier and the Syndicate in late 1994 also provided that, in the event of the Syndicate winning the 1995 Challenge, the State would pay an amount of \$15 million to the Syndicate as a licence and a location fee for the 1998 Challenge. The Minister for Gaming formally approved the distribution of \$1.5 million from the Fund in January 1995. The Syndicate's challenge for the 1995 America's Cup proved to be unsuccessful.

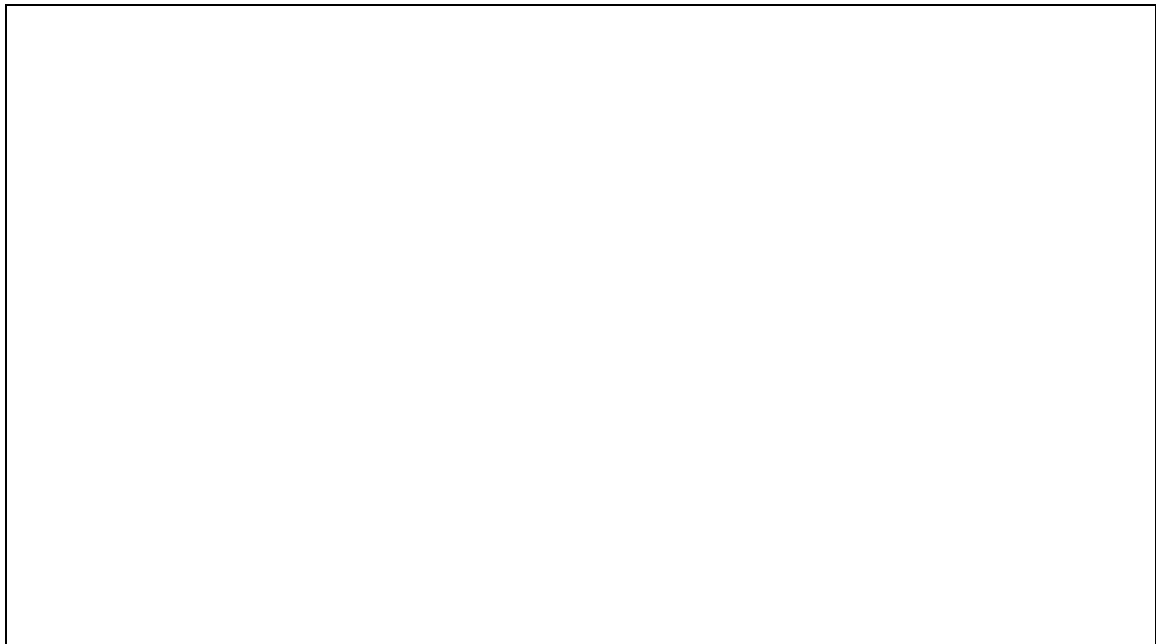


Photo: Sporting Pix.

*An amount of \$1.5 million was provided from the Community Support Fund to the "One Australia" Syndicate which mounted an unsuccessful challenge for the 1995 America's Cup.*

*Overall audit comments on distributions*

**4.111** The preceding tables demonstrate the breadth of the range of programs and projects which have been the subject of approved distributions from the Fund. The broad nature of the legislative definitions of community programs or projects eligible to receive financial assistance from the Fund makes it very difficult to form definitive judgements, beyond the base priority order for each funding category set out in the legislation, regarding the relative merit of individual funding decisions.

**4.112** Later paragraphs of this Report identify the importance of a sound performance measurement and reporting framework for the Fund which focuses on performance against targeted outputs and outcomes. In this regard, given the broad nature of the legislative provisions in respect of areas which can be assisted from the Fund, the most useful avenue ultimately available to the community for determining the appropriateness of funding decisions will be the quality of actual performance and an assessment of the beneficial impact arising over time from such decisions.

# **Part 5**

## **Management and accountability framework**



## OVERVIEW

**5.1** In May 1994, comments conveyed to the Parliament in the Auditor-General's *Report on Ministerial Portfolios*, called for decisive action by the Government to upgrade the quality and effectiveness of the Community Support Fund's management.

**5.2** In response to the audit message, the former Secretary of the former Department of Arts, Sport and Tourism took the highly important initiative of creating a lean but capable management unit for the Fund which has competently handled a range of functions associated with liaison with the numerous government bodies involved with the Fund and processes for the scrutiny and evaluation of funding applications.

**5.3** Much work now needs to be directed to measuring and reporting on the effectiveness of the Fund's overall performance. In this regard, the Fund's management unit has the challenge of establishing a framework which enables the Fund's performance against targeted outputs and outcomes to be systematically monitored and measured. This process needs to culminate in the compilation and communication to the Parliament and community of a consolidated annual performance report encompassing all areas receiving assistance from the Fund. The external reporting of meaningful information on how funding has been utilised to generate community benefits is seen by audit as the key means of reinforcing the Government's accountability to the Parliament and community for management of such a significant community asset.

**5.4** As part of the ongoing supervisory role of the Fund's management unit, action needs to be taken to upgrade some past management practices in the Office of Youth Affairs where certain practices in relation to the Fund have not been up to the standard expected when dealing with the distribution of public funds.

## **IMPORTANCE OF A WELL-STRUCTURED MANAGEMENT AND ACCOUNTABILITY FRAMEWORK**

**5.15** The Auditor-General's *Report on Ministerial Portfolios*, May 1994, to the Parliament included an analysis of the operations of the Fund and identified distributions approved by the Minister up to mid-March 1994. The relevant section of that Report concluded with the following comments:

*"It can be seen that distributions from the Fund involve financial transactions of considerable magnitude. In addition, a range of public sector organisations have responsibility for the management of distributions."*



*"Such circumstances reinforce the importance of an effective management and accountability framework which ensures that the periodic distributions from the Fund are adequately co-ordinated. In addition, the resultant outcomes, measured against appropriate benchmarks, need to be systematically monitored, with results reported each year to the Parliament and the community".*

**5.16** It was against the above background that audit assessed the extent to which appropriate action had been taken over the period since March 1994, to establish a soundly-based management framework for the Fund covering the management and monitoring of distributions and the measurement and reporting to the Parliament and the community of the outputs and subsequent outcomes of periodic funding distributions.

**5.17** The assessment undertaken by audit primarily focused on determining whether:

- the former Department of Arts, Sport and Tourism had established an effective management and accountability framework in respect of the overall operation of the Community Support Fund, particularly in the following areas:
  - assessment of applications for funding;
  - management of the approval process for distributions;
  - establishment of adequate accountability arrangements;
  - performance measurement and monitoring of outcomes resulting from distributions; and
  - financial recording and reporting practices.
- government agencies responsible for the implementation of programs and projects allocated financial assistance from the Fund, had established effective management and accountability frameworks incorporating:
  - soundly-based processes to determine distributions of funding to non-government organisations;
  - requirements for non-government organisations to enter into funding agreements specifying clear monitoring and accountability conditions prior to the receipt of any funding;
  - procedures to ensure adequate monitoring of the financial accountability of non-government organisations; and
  - systematic measurement and evaluation of the outcomes resulting from funding.
- sufficient mechanisms were in place to ensure accountability to the Parliament and the community for the use of the Community Support Fund.

.....

**Establishment of the Community Support Fund Unit - an important initiative**

**5.18** At the time of the earlier 1994 audit analysis of the Fund's operations, several emerging features of the Fund's operational environment were evident, namely:

- the magnitude of its financial transactions was steadily growing in line with the expansion in the State's gaming industry;
- several significant funding allocations to government agencies had not been expended many months after receipt of funds;
- many government bodies and, in turn, many non-government organisations were involved in the management of programs or projects financed from the Fund;
- little attention had been directed to ways in which outputs and outcomes arising from funded activities could be measured and reported to the Parliament and community; and
- of extreme importance and requiring urgent attention was a need for a structured central mechanism to oversee and co-ordinate the Fund's financial management and to guide and monitor the involvement with the Fund of so many government and non-government bodies.

**5.19** In short, decisive action was required by the Government in 1994 to ensure that the quality and effectiveness of the Fund's management was commensurate with its growing financial and community significance. This conclusion was essentially the key message conveyed in the Auditor-General's Report to the Parliament at the time.

*A small unit staffed with experienced and capable personnel*

**5.20** It is therefore very pleasing for audit to be able to now recognise in this later Report to the Parliament the initiative taken by the former Secretary of the former Department of Arts, Sport and Tourism to establish in 1994 a small Community Support Fund Unit to have specific responsibility for the management of the Fund. Of great importance to the Parliament's and community's confidence in the day-to-day management of the Fund is the fact that the Community Support Fund Unit has been staffed with very experienced and capable personnel. Its principal responsibilities have encompassed:

- the assessment of programs and projects proposed for funding from the Fund;
- development of monitoring processes for assisted programs and projects;
- preparation of relevant reports, assessments and evaluations for both the Minister for Gaming and the special Cabinet Committee; and
- financial management functions, including preparation of forward estimates and reporting on the activities of the Fund.



**5.21** To facilitate performance of these functions, the Unit has progressively developed a comprehensive set of operational guidelines for the Fund which deal with the following areas:

- the functions and responsibilities of the Unit;
- applications for assistance from the Fund, including information for prospective applicants and guidance for the preparation of funding applications;
- assessment of applications for funding;
- the approval process for distributions from the Fund;
- terms and conditions of funding, including performance measurement requirements;
- management of programs/projects, particularly the role of the Unit in the management process applying to programs/projects funded from the Fund; and
- financial reporting in respect of the operations of the Fund.

**5.22** The main conclusions reached by audit on the manner in which the Unit has managed its wide range of highly-important functions was that it has been very effective in establishing stringent procedures for guiding applications lodged for funding and for assessing the eligibility and suitability of applications against the Fund's legislative criteria. In fact, quite a disciplined approach has been followed for these tasks, **and from a risk management perspective, the Parliament and community can be confident that the processes governing scrutiny and assessment of funding applications have been strictly implemented by the Unit.**

*Strong focus now required on performance measurement*

**5.23** The Community Support Fund Unit now realises that it needs to direct priority attention to the monitoring and performance measurement elements of its responsibilities. To date, little work in this area has been undertaken by the Unit as it has opted to allocate performance measurement and evaluation functions to funding recipients. In this regard, the funding agreements developed by the Unit, which formally record the obligations of recipient parties, do not contain details of:

- the major purpose of the program or project funded;
- key performance indicators such as agreed outputs and outcomes; and
- other details necessary to adequately assess the success of the funded program or project during implementation and on completion.

**5.24** The failure to specify, in funding agreements, the major purpose of funded programs and projects, key performance indicators, agreed outputs and other details necessary to adequately assess the success of the programs or projects, is a clear weakness in the framework established by the Unit.



**5.25** The Unit is taking steps to assure itself of the adequacy of performance measurement and evaluation frameworks established by agencies which have received allocations from the Fund. One of these steps has been the recent appointment of a senior experienced person with responsibility for ensuring that recipients of moneys from the Fund are accountable for achievement of targeted outputs and outcomes in respect of funded projects including the utilisation of effective performance measurement and evaluation techniques. The impression formed by audit was that some promising early progress had been made by both the former Department of Health and Community Services and the Office of Youth Affairs in developing measurement techniques designed to assess the effectiveness of the use of funds provided by those agencies to non-government organisations. This early progress should assist the Unit in the action it is now taking in the performance measurement area.

**5.26** In essence, the Unit now has the major challenge of making meaningful progress in establishing and effectively implementing procedures for ongoing measurement of the Fund's performance. These procedures need to facilitate progressive assessments of the extent to which targeted outputs set for the various funded programs have been attained and measurement of intended outcomes in terms of the ultimate impact on the community. Until such a framework is operating effectively, it will be difficult for the Unit to achieve complete and meaningful reporting to the Parliament and the community on the performance of the Fund.

**5.27** **The establishment of the Community Support Fund Unit in 1994 was a major initiative taken by the former Secretary of the former Department of Arts, Sport and Tourism. The Unit has progressively established a sound framework for many aspects of the Fund's operational management and it now has the major challenge of substantially strengthening its focus on measurement of the Fund's performance.**

**□ RESPONSE** *provided by Secretary, Department of Premier and Cabinet*

*Applications for grants from the Community Support Fund are supported by the outputs and outcomes anticipated from the grant. Financial accountability requirements are included in the Terms and Conditions attached to the grants.*

*The "Terms and Conditions" attached to grants are being reviewed.*

*The management of the Community Support Fund has been strengthened to facilitate the assessment of the outputs and outcomes of funded programs.*

**NEED FOR ADEQUATE ACCOUNTABILITY TO THE PARLIAMENT AND COMMUNITY FOR THE PERFORMANCE OF THE FUND**

**5.28** The Auditor-General's *Report on Ministerial Portfolios*, May 1994 to the Parliament specifically stressed the importance of adequate reporting to the Parliament and community on the Fund's overall performance.

**5.29** Adequate reporting in the sense intended by audit encompasses both the outputs achieved from funded programs or projects and the ultimate outcomes in terms of beneficial impact on the community, e.g. improved welfare services or availability of a wider range of facilities.

**5.30** To date, reporting to the Parliament on the Fund has been quite fragmented in that the former Department of Arts, Sport and Tourism has reported details of distributions from the Fund in its annual report and each other government agency has developed, with varying quality, information relating to their respective funded activities for inclusion in their annual reports to Parliament.

**5.31** Audit found that much still needs to be done in this area. With, as previously mentioned, the Community Support Fund Unit now directing a strong focus to performance monitoring and measurement, it should be possible to develop and publish an annual report specifically dedicated to the Fund. Audit envisages, in this regard, a consolidated report to the Parliament covering all programs and projects assisted by the Fund across the State and providing advanced information along the lines already indicated on both outputs and outcomes.

**5.32** Such a report would be the principal means available to the Parliament and community to judge the appropriateness and soundness of earlier funding decisions. Given the broad nature of the legislative provisions in respect of areas which can be assisted from the Fund, it is very difficult to make definitive judgements, beyond the priority order set out in the legislation, regarding the relative merit of individual funding decisions. However, one of the key avenues for forming an opinion on the appropriateness of decisions will be the quality of output and extent of beneficial impact for the community ultimately resulting from such decisions. In other words, through adequate performance reporting, the community should be able to make a judgement as to whether the priorities assigned by Government to distributions from the Fund have been well directed.

**5.33** The results of a periodic and comprehensive performance appraisal of funding outputs and outcomes would also provide an avenue for valuable feedback to the Government which could be channelled back into the Fund's decision-making process and the setting of priorities for future funding strategies.



**5.34** In summary, more work needs to be done in order to have in place a structured performance monitoring and measurement framework for the Fund which enables periodic appraisal of overall performance against targeted outputs and outcomes. In addition, an annual report, which brings together in a consolidated form all performance data on the Fund, should be compiled and communicated to the Parliament and community. Reporting in this format is seen by audit as the key means of reinforcing the Government's accountability to the Parliament and community for management of such a significant community asset.

□ *RESPONSE provided by Secretary, Department of Premier and Cabinet*

*The 1994-95 Annual Report of the former Department of Arts, Sport and Tourism provided details of projects approved by the former Minister for Gaming in that year. It is proposed to expand the information on grants in future reports to address the issues of outputs and outcomes to enhance the reporting on the Fund's performance.*

**SOME UNSATISFACTORY  
MANAGEMENT PRACTICES IDENTIFIED BY AUDIT**

**5.35** A number of unsatisfactory practices associated with the management of the Fund within the Office of Youth Affairs were identified during the audit. Specific comment on these matters is contained in the following paragraphs.

**Non-compliance with terms and conditions of funding**

**5.36** An important responsibility of government agencies associated with the management of programs or projects supported by the Fund is to ensure that funds are expended for the intended and approved purpose. Audit found in the case described below that the Office of Youth Affairs had not fully complied with the terms and conditions of funding established at the commencement of the funding period:

- *Funding of \$1.9 million approved in March 1994 over 3 years for Youth Homelessness Crisis Accommodation.* This funding, which was provided from the Fund to assist the capital facilities segment of the Government's youth homelessness policy, was earmarked for the upgrade and/or expansion of accommodation for homeless young people and of capital facilities used to provide services for homeless young people. The implementation of the policy was the responsibility of the Office of Youth Affairs within the former Department of Business and Employment.

The Government policy stated that funding for capital facilities would be provided to upgrade and expand such facilities for the most effective groups working with the young homeless and would be based on an inspection of physical facilities operated by homelessness services. At February 1996, the approved funding of \$1.9 million had been totally committed, however, no evidence was available to audit within the Office of Youth Affairs to indicate that all approval decisions for the commitments made by the former Minister responsible for Youth Affairs were supported by information which substantiated compliance with the above requirements of the Government policy.

**Absence of evidence to substantiate funding  
by Office of Youth Affairs to non-government and local government organisations**



**5.37** The former Department of Health and Community Services and the Office of Youth Affairs utilised, during the period covered by the audit, the services of local government agencies and non-government organisations for the delivery of all funded programs and projects under their responsibility.

**5.38** It was of some concern to audit to find, in an examination of a sample of cases, several instances involving aggregate funding of \$791 000 by the Office of Youth Affairs under its Capital Facilities Program where the former Minister responsible for Youth Affairs made funding decisions without reference to processes established by the Office. These processes related to the evaluation of applications for funding against set criteria and the formulation of a recommendation or otherwise as to whether an application should be approved. In other words, there was an absence of supporting evidence to substantiate some decisions made by the former Minister in the approval of funding. In making this comment, it is stressed that audit is not questioning the specific merit of the Minister's funding decisions but merely raising a concern at the absence of supporting evidence.

**5.39** **In audit opinion, the approach followed by the former Minister in the approval of the above funding to external organisations at the Office of Youth Affairs was not consistent with the standard expected when dealing with the distribution of public funds.**

*□ RESPONSE provided by Secretary, Department of Premier and Cabinet*

*The Director of the Office of Youth Affairs will ensure that appropriate levels of documentation reflecting the decision-making processes are available in the future.*

**Weaknesses in monitoring the financial accountability of non-government organisations for use of approved funding**

**5.40** Effective monitoring of the financial accountability of non-government organisations for funding received is a key management control in any grants program. Failure to adequately monitor the use by non-government organisations of funding can adversely impact on the achievement objectives established for projects or programs.

**5.41** Weaknesses in the monitoring practices followed in the Office of Youth Affairs in respect of the use of funds by non-government organisations were identified by audit. Relevant details are presented below:

- Unusual items of expenditure included by a number of non-government organisations in their financial accountability reports were not questioned. For example, one non-government organisation used funding which was specifically allocated for family reconciliation and support services, as a contribution towards the purchase of a vehicle when it had not been authorised to do so.



- Many non-government organisations detailed high levels of administrative costs (in excess of 30 per cent of total funding in some cases) in their income and expenditure statements. In most cases, details of the composition of these administrative costs were not provided and explanations were not sought by the Office;
- In a number of cases, the Office accepted financial accountability reports from non-government organisations which were not certified in accordance with the requirements of the funding agreement; and
- Anomalies and inconsistencies between financial accountability reports provided by individual non-government organisations were not questioned by the Office.

**5.42 The above weaknesses indicated a serious lack of financial analytical skills at the Office of Youth Affairs, a position which required urgent attention.**

*□ RESPONSE provided by Secretary, Department of Premier and Cabinet*

*The Office of Youth Affairs acknowledges that monitoring of financial accountability was unsatisfactory in some areas, primarily as a result of insufficient resources at the time to effectively scrutinise and assess all of the information presented. Integration of the Office into the Department of Human Services offers significantly strengthened access to relevant experience and advice. Staff training to address the issue of skill levels and knowledge within the Office has been scheduled.*

**Absence of separate recording by funding recipients of financial assistance provided from the Fund**

**5.43** Despite an explicit requirement of the Department of Health and Community Services for non-government organisations implementing its funded programs to report separately on income and expenditure in respect of programs funded from the Community Support Fund, audit found a number of cases where this was not occurring.

**5.44** In the majority of these instances the funding had been provided for programs for which the organisations were already receiving other departmental funding, such as the Financial Counselling and Sexual Assault Programs. As such, both streams of funding were combined and related expenditure aggregated. Consequently, these organisations were unable to demonstrate specific accountability for financial assistance received from the Fund and the Department will over time find it difficult to measure and demonstrate the additional beneficial impact specifically attributable to the assistance received from the Community Support Fund.



**5.45 Non-government organisations receiving financial assistance from the Fund should be required to separately account for such funding.**

*□ RESPONSE provided by Secretary, Department of Premier and Cabinet*

*At the time of audit, more than 80 services were in receipt of moneys from the Community Support Fund through the (then) Department of Health and Community Services. Seventy-five services (93.75 per cent) complied with the requirement to separately report income and expenditure for programs in receipt of CSF funds. The Department has taken action that will facilitate separate reporting to CSF funds by those funded agencies including changes to the Primary Care program structure so that each CSF-funded activity can be clearly identified and accounted for.*