

VICTORIA

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Victorian  
Auditor-General

Audit summary  
of  
Taking Action on  
Problem Gambling

Tabled in Parliament  
28 July 2010

# Audit summary

## Background

Around 73 per cent of Victorian adults engaged in some form of legal gambling in 2009, mainly public lotteries, electronic gaming machines (EGM), also known as poker machines, wagering and at the casino.

In 2008–09 Victorians lost \$5.1 billion gambling, and more than \$2.7 billion of this was lost on EGMs. Three-quarters of gamblers with problems who used Gambler's Help services in 2007–08 reported EGMs as their primary gambling activity.

In 2007–08, losses on gambling represented on average 2.76 per cent of household disposable income. More than \$1.6 billion was paid to the state in taxes and levies, most of which is set aside to fund health services, community projects, problem gambling services, community education initiatives and gambling research.

While most people gamble responsibly, an estimated 29 000 adults are problem gamblers and a further 97 000 are moderate risk gamblers. The consequences of problem gambling include financial harm, crime, family dysfunction and domestic violence.

Problem gamblers are significantly more likely than non-problem gamblers to have a mental disorder, depression or an anxiety condition, trauma and hardship in their lives, and to smoke. Compared to non-problem gamblers, they also report a significantly higher number of negative life experiences affecting both themselves and their families, such as divorce, legal difficulties, and financial issues.

The legislative and administrative framework accepts gambling as a valid activity but also promotes responsible gambling, supports problem gamblers and requires the industry to have the highest standards of probity. These themes were the basis of the 2006 *Taking action on problem gambling* strategy (the strategy), a comprehensive, multifaceted strategy drawing on public health and social regulation models to address gambling-related harm. The strategy has been funded over five years with \$132.3 million.

The audit examined whether the strategy was based on sound evidence and research; whether the Department of Justice (DOJ) and the independent regulator, the Victorian Commission for Gambling Regulation (VCGR), are implementing the strategy as intended; and whether there is reasonable assurance that initiatives are achieving their objectives.

## Conclusions

The development of problem gambling strategies is difficult and complex, due mainly to the lack of reliable evidence nationally and internationally about the effectiveness of specific initiatives. Introduced in 2006, DOJ's *Taking action on problem gambling* strategy contained 37 initiatives. Some of these initiatives were new but most were enhancements or extensions of existing initiatives.

DOJ structured its strategy around public health approaches and social regulation models that are commonly used for problems involving the physical, mental and social wellbeing of the community. These approaches attempt to understand the factors that influence behaviour and use prevention, intervention and treatment techniques.

The use of this model was appropriate, and it was plausible that the individual initiatives included in the strategy might reduce problem gambling and gambling-related harm. However, there was little or no evidence to suggest the initiatives examined in this audit would be effective.

For DOJ to be able to assess the effectiveness of the strategy and its many initiatives, and to offset the paucity of evidence, it was imperative that ongoing performance management and evaluation arrangements were in place when the strategy commenced to allow its performance to be progressively assessed. This assessment could have guided DOJ in focusing efforts on the most effective initiatives, in terms of achieving reduction in the prevalence of problem gambling and the level of gambling-related harm.

However, its performance management and reporting system lacks essential elements and cannot provide progressive assessment of the strategy. DOJ's capacity to conclude on the effectiveness of the strategy has been compromised by problems with the development and management of its evaluation framework. Delays to the evaluation framework's implementation have further reduced its usefulness. The evaluation of problem gambling interventions is inherently difficult, because of the scarcity of robust and credible evaluations nationally and internationally. Nevertheless, it was still feasible for DOJ to establish appropriate monitoring and evaluation processes.

DOJ took some important steps to augment the evidence base for its problem gambling initiatives, through its 2009 epidemiological study and its ongoing research program. Although these were not intended to assess the effectiveness of the strategy's initiatives, they provide valuable additional information on problem gambling. In particular, the results of the epidemiological study can be used in the future to assess the prevalence of problem gambling and gambling-related harm.

DOJ and VCGR have adequately acquitted their responsibilities in implementing strategy initiatives. The discharge of these responsibilities could be strengthened to improve the efficacy of problem gambling interventions, particularly those initiatives relating to encouraging industry promotion of responsible gambling, decision making on the number of EGMs in communities, and better equipping venue staff to assist problem gamblers.

## Findings

### Basis for the strategy

Based on experience in similar public health issues, it was reasonable and appropriate to implement a broad-based, multifaceted policy approach as a response to problem gambling. However, not all initiatives were supported by evidence that they had worked or that they were likely to work.

The evidentiary basis for capping the number of EGMs in specified regions and imposing a maximum density of EGMs for all regions throughout Victoria (excluding the casino) was weak. DOJ's advice to government was that regional caps would not reduce gambling revenue by more than approximately 2 per cent. Restricting access to ATMs was supported by minimal evidence and reducing the bet limit to \$5 was based on logical argument but not evidence. There was stronger evidence to support mandating codes of conduct for gambling venues and for self-exclusion programs.

Reducing the maximum amount a player could insert in an EGM at the start of play by around 90 per cent, as well as requiring that all winnings above \$1 000 be paid entirely by cheque, had no evidence to support their introduction and there was nothing to suggest they would reduce problem gambling and gambling-related harm.

Nonetheless, DOJ's advice was based on the best information available at the time.

### Strategy effectiveness

It is inherently difficult to obtain information on the effectiveness of problem gambling interventions, due to issues such as defining who is a problem gambler. However, it is still important to establish an appropriate performance management and reporting system and an evaluation framework to collect the performance information required.

No targets were set for measuring achievement of strategy objectives, nor were appropriate key performance indicators developed to determine achievement of outcomes. As such, DOJ's ability to effectively measure the ongoing performance of the strategy has been hindered.

While the strategy's evaluation framework is theoretically sound, it does not explain how findings on individual initiatives will be aggregated and the selection of evaluation projects under the framework was also not transparent. Further, development of the evaluation framework was delayed by a failed tender process. This prevented establishment of a baseline level of performance against which to assess any subsequent level of improvement. This means there will be a long lead time before DOJ knows whether its strategy is having an impact on problem gambling.

### Strategy implementation

DOJ and VCGR are implementing the strategy as required. It is within budget and largely within time frames. Nevertheless, aspects of their implementation of the strategy could be improved.

One of VCGR's key responsibilities is assessing and approving applications for new gaming venues or increased numbers of EGMs at existing venues, based on whether they will cause a net detriment to the community of the municipality in which the premises are located. VCGR staff prepare social and economic impact assessments as one source of information to support this decision making. While only a small number of its decisions have been appealed, its processes supporting decision making should be improved by identifying principles on which net detriment can be assessed. In addition, social and economic impact assessments should routinely include impacts not solely across the whole local government area (LGA) but also on communities within LGAs, given that the socio-economic profiles within an LGA can vary significantly.

VCGR is responsible for approving and subsequently auditing compliance with codes of conduct and self-exclusion programs. However, it cannot effectively monitor or audit some aspects of these because the Ministerial Directions relating to codes of conduct and self-exclusion programs are not sufficiently clear and specific about how the requirements should be implemented or audited. Criteria that VCGR uses for approvals do not require that the codes of conduct and self-exclusion programs are capable of being audited. The focus of auditing should be on confirming the actions taken by venue operators, not whether operators have made written commitments to take actions.

Venue staff working in gambling areas are required to attend a responsible gambling training course. The quality and effectiveness of current training courses has been questioned by the Responsible Gambling Ministerial Advisory Council and this was reinforced by the results of our visits to venues.

## Recommendations

Number	Recommendation	Page
1.	The Department of Justice (DOJ) should continue to address critical gaps in the evidence base through evaluation, its performance management and reporting system and research programs.	19
2.	The Victorian Commission for Gambling Regulation (VCGR) should further develop its template for social and economic impact assessments by: <ul style="list-style-type: none"> <li>expanding the data included in the assessments to more comprehensively consider the impact of gaming venues in communities</li> <li>using trend data</li> <li>taking account of the socio-economic profile of different areas within municipalities</li> <li>examining how other indicators, such as gambling-related bankruptcy and homelessness, could be used to augment the analysis of social and economic impact.</li> </ul>	30
3.	VCGR should develop principles on which net detriment can be assessed.	30
4.	VCGR should revise the criteria for approving codes of conduct and self-exclusion programs to allow actions taken by venue operators in implementing these initiatives to be audited.	30
5.	VCGR should provide venue operators with documentation of the outcome of audits relating to responsible gambling initiatives.	30
6.	DOJ should: <ul style="list-style-type: none"> <li>evaluate the effectiveness of current responsible gambling training arrangements</li> <li>expand the scope of the Responsible Gambling Ministerial Advisory Council's upcoming review of the learning principles to address quality assurance processes, standardised assessments, and multiple levels of training.</li> </ul>	30
7.	DOJ should improve evaluation of its strategy, including establishing baseline data, and developing targets and performance indicators.	37