Gambling Fact Sheet #22

Class 4 Financial Information

Updated: October 2016

Maximising returns to the community

Corporate societies will not be licensed unless the Department of Internal Affairs is satisfied they can show their operation is financially viable, that they will maximise the funding that will be distributed for authorised purposes, and minimise operating costs.

Corporate societies must pay only:

- The actual, reasonable and necessary costs (including prizes), levies and taxes incurred in conducting the gambling
- The actual, reasonable and necessary costs incurred in complying with the Gambling Act 2003 (the Act) and licences issued under the Act

All other money must be applied or distributed to authorised purposes. To ensure that proceeds to the community are maximised, the Secretary for Internal Affairs may set limits on the costs that may be incurred by a corporate society.

Standardised accounts and financial viability

From 1 July 2004, it is required that:

- Financial statements comply with generally accepted accounting practice (GAAP) or the Financial Reporting Act (section 108 of the Act);
- Annual reports be signed by qualified auditors (section 107) and include a financial forecast for the forthcoming year; and
- An applicant for an ‘operator’s licence’ (the operator is the society that owns the gaming machines) shows the financial viability of the gambling operation (section 52(1)(c)).

Standardised accounts

The Department has developed standardised accounts for corporate societies and their accountants and auditors to use.

The standardised accounts will help corporate societies comply with GAAP and include a statement of:

- Financial performance
- Financial position
- Cash flows
Copies of the standardised accounts are available from on the Department’s website: www.dia.govt.nz/gambling

While the standardised accounts are not mandatory, the Department strongly recommends their use. They will make applying to renew licences easier and faster, and will help prevent complications during compliance audits carried out by the Department’s Gambling Inspectors.

There are mandatory application forms for licence applications and, of key benefit to corporate societies, the information from the standardised accounts will transfer directly into the application form.

In very broad terms, the processing for licensing, including renewals, will be:

- Corporate societies must provide a GAAP compliant annual report, including a financial forecast. Ideally these will use the Department’s standardised accounts.
- Corporate societies must apply for licences, and applications must include the required information about financial viability. Corporate societies using standardised accounts will be able to simply transfer the balances from those accounts into their applications.
- The Department will process complete applications.
- The Department may return incomplete applications, unprocessed.
- The Department must refuse to grant/renew a licence unless it is satisfied that the corporate society is financially viable.

The Department’s regular compliance audits will be based on the licensing requirements of the Act. In short, the standardised accounts are designed to:

- Make licensing easier by directly linking the annual report and the licensing application; and
- Improve compliance by encouraging corporate societies to organise their operations in a manner that produces the necessary financial outcomes.

The Department strongly suggests that corporate societies contact their accountants to ensure they have systems in place to meet the financial reporting requirements of the Act.

Note: While reasonable measures have been taken to ensure the quality and accuracy of the information contained in this Fact Sheet it does not replace information contained in the Gambling Act 2003 or the Racing Act 2003 or any provisions pursuant to these Acts. This Fact Sheet is for general information only and is not a substitute for independent, professional legal or financial advice.