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IN THE PERTH CASINO ROYAL COMMISSION

WITNESS STATEMENT OF
MICHAEL CONNOLLY
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Contains sensitive information

I, Michael Connolly of [REDACTED], in the State of Western Australia, Government Officer, affirm as follows:

Defined Terms

1. The defined terms used throughout this witness statement are:
 - (a) a reference to **Act**, is a reference to the *Casino Control Act 1984* (WA);
 - (b) a reference to the **Casino**, is a reference to the Perth Casino, operated from Burswood by Crown;
 - (c) a reference to the **CCO**, is a reference to the Chief Casino Officer pursuant to section 9 of the Act;
 - (d) a reference to **Crown**, is a reference to the Crown group of companies, which hold the licence to operate the Casino;
 - (e) a reference to **DG**, is a reference to the title of Director General;
 - (f) a reference to **DDG**, is a reference to the title of Deputy-Director General;
 - (g) a reference to **DRGL**, is a reference to the State Government Department of Racing, Gaming and Liquor, which was the Department responsible for regulating and overseeing gaming operations in Western Australia from the commencement of my career until 2017;
 - (h) a reference to **Department**, is a reference to the State Government Department of Local Government, Sport and Cultural Industries, which from 1 July 2017 has been the Government Department responsible for regulating and overseeing gaming operations in Western Australia;
 - (i) a reference to **GWC**, is a reference to the Gaming and Wagering Commission, a body created pursuant to the *Gaming and Wagering Commission Act 1987* (WA); and
 - (j) a reference to **WAPOL**, is a reference to the Western Australia Police Force.
2. Save for where context otherwise requires, a reference in this statement to the Department is a reference to its previous iteration as the DRGL.

3. Some of the persons named in this statement, who are relevant to the matters contained within it as well as their last known employed role, include:
 - (a) Barry Sargeant, who is now retired but was between 1992 and 2017, the DG of the DRGL (**Barry**);
 - (b) Duncan Ord, who since 2017, has been the DG of the Department (**Duncan**);
 - (c) Paul Hulme, who is now retired and is a former employee of the DRGL and Crown Perth in their legal and compliance team (**Paul**);
 - (d) Claude Marais, who is a Crown Perth employee in their legal and compliance team (**Claude**); and
 - (e) Jon Nichols, who is now retired and is a former Crown employee, who has also held previous roles with the DRGL, and Racing Wagering Western Australia (RWWA) at various times (**Jon**).

Background

4. I am 58 years old.
5. In or about 1997, I obtained a Bachelor of Science Degree majoring in Security from Edith Cowan University (ECU).
6. In or about 2001, I obtained a Bachelor of Business Degree majoring in Accounting from ECU.
7. Set out below is a list of the substantive full-time roles I have held.
8. Where I refer to certain government departments, I am referring to those departments as they were known at the time, they are relevant to the matters set out below.
9. Between 1983 and 1989, I was employed by the State Housing Commission in a Clerical role.

Casino Inspector

10. From in or about late 1989 to 2002, I was employed by the DRGL as a Level 3 – Government Casino Inspector (**Casino Inspector**).
11. Between November 1989 and March 1990, I did not carry out any substantive work. Rather, I spent my time at work in formal training that was run by the DRGL.

12. This training was aimed at teaching me the skills I required to be a Casino Inspector.
13. From in or about March 1990, I commenced work as a Casino Inspector.
14. The role of a Casino Inspector was principally, to carry out audits and inspections of gaming activities, in accordance with the program developed by more senior employees of the DRGL, and report on these findings to more senior DRGL staff for review and further action.
15. The types of investigations a Casino Inspector, such as myself, would carry out included minor breaches of rules, policies or procedures by Crown.
16. The role of Casino Inspector was shift work, whereby shifts:
 - (a) would be allocated on a four day on, four day off basis;
 - (b) were for a 12-hour duration;
 - (c) involved Casino Inspectors working in groups of approximately 3 or 4 with other Casino Inspectors; and
 - (d) were performed at the Casino itself.
17. The functions of a Casino Inspector have not changed in any material way since I was employed as one, however Casino Inspectors have not been permanently based at the Casino since 2015. Casino Inspectors now also carry out audit, inspection and investigation activities in other regulatory areas, including liquor and wagering.

Senior Regulatory Officer

18. From 3 May 2002 to 29 March 2005, I was employed by the DRGL as a Level 6 – Senior Regulatory Officer.
19. During my time in this role, I was the only Senior Regulatory Officer, however I worked in a team with three to four other regulatory officers.
20. I do not recall receiving any specialised training to equip me for this role. The only training, I obtained was through 'on-the-job' learning.
21. As a Senior Regulatory Officer, I was responsible for:

- (a) maintaining and developing the audit and regulatory plans in respect of the activities carried out at the Casino;
 - (b) reporting on matters including revenue, taxation and progress against key performance indicators that were set by the GWC;
 - (c) developing the programs, that the Casino Inspectors would use to carry out their audit and inspection roles; and
 - (d) managing the risks at what I call the 'activity level'.
22. The activity level is the individual activities at the Casino, which include the activity of:
- (a) security;
 - (b) surveillance;
 - (c) the main cage;
 - (d) table games and electronic games.
23. Part of managing the risks at the activity level would be reviewing the reports carried out by Casino Inspectors, as described in paragraph 14 above, and escalating matters as required.

Manager of Inspections

24. From 30 March 2005 to 2007, I was employed by the DRGL as a Level 7 – Manager of Inspections.
25. I do not recall receiving any specialised training to equip me for this role. The only training, I obtained was through 'on-the-job' learning.
26. As the Manager of Inspections, I was responsible for:
- (a) planning the compliance protocols in respect of the Casino;
 - (b) planning audits of the Casino's operations; and
 - (c) the day-to-day operational planning to meet the key performance indicators of the GWC.
27. In or about 2005, I took on additional responsibilities and my role changed.

28. These responsibilities included overseeing the liquor and other community gaming operations.
29. These community gaming operations included poker events, bingo events and wagering whether that be through bookmakers or the TAB.
30. The change in my role, was reflected in the change in the role of a number of other individuals within the DRGL.
31. This included, for example, the roles of liquor inspectors, financial inspectors, casino inspectors and community gaming inspectors all being amalgamated, and those individuals put into a pool and used as required.
32. The ultimate effect of this change was that I went from spending all of my time on Casino related matters to approximately only 30% of my time on Casino related matters.

Director of Compliance

33. From 2007 to 2010, I was employed by the DRGL as a Level 8 – Director Compliance.
34. The change to my role was brought about as a result of a corporate restructure.
35. The significant differences, for the matters set out below, between the two roles were that as the Director of Compliance:
 - (a) I was a member of the corporate executive of the DRGL, with greater delegation of power; and
 - (b) I developed policy, as it related to my functions and attended GWC meetings, as an advisor.
36. On or about 7 May 2007 and further to my employment as the Director of Compliance, I was appointed as the CCO.
37. I do not recollect why I was chosen to be the CCO, however I believe it may have been as I was one of the most senior employees in the DRGL at the time.

Department of Fisheries

38. From 2010 to 2011, I was seconded by the DRGL to the Department of Fisheries (DoF) as a Level 9 – Director of Technology Solutions.
39. From 2011 to 2012, I was employed by the DoF, as a Level 9 – Director of Corporate Services.

Deputy Director-General

- 40. On or about 25 June 2012, I returned to the DRGL as a Class 2 – DDG.
- 41. This is a role that I have remained employed in since this time.
- 42. The responsibilities I had as a DDG are set out in detail in this statement.

Chief Casino Officer*Appointment*

- 43. As set out above, I was appointed as CCO in 2007 and then reappointed on or about 3 July 2012, upon returning the DRGL.
- 44. From 3 July 2012 until recently, I was the CCO.

Role of CCO

- 45. My understanding of the role of the CCO, is that it is an important but limited role.
- 46. While the title may sound like it is all-encompassing and a time-consuming role, this is far from the truth.
- 47. On the whole, I act in my capacity as a DDG with the delegated authority of the GWC.
- 48. The complicating factor in distinguishing my roles is due to me being both the DDG and the CCO.
- 49. In most cases I am fulfilling duties as the DDG rather than as the CCO.

Employment Basis, Training and Remuneration

- 50. I did not receive any additional remuneration for the obligations and responsibility I took on as CCO.
- 51. I was not provided with any training prior to or following my appointment as CCO, save for the below.
- 52. The only training, I undertook as CCO that was specifically in respect of the operation and regulation of casinos was in July 2019, when I travelled to Sydney to attend training along with three other Departmental Officers.

53. The training was run by the University of Las Vegas International Center for Gaming Regulation and was in respect of gaming regulation.
54. The majority of other training I have undertaken has been related to whole of agency requirements, in areas of IT, HR and OSH.
55. The role of CCO is full-time, in that I am at all times the CCO.

Performance as CCO

56. In practice, the role of CCO has taken up only a very small percentage of my overall workload, due to the wider responsibilities and obligations I have as the DDG, which is set out further below.
57. The only time I would be required to exercise my duties as CCO was when I was required to due to legislative constraints.
58. This would arise as there are a select number of matters for which only the CCO can act.
59. Largely, the role of CCO would be to sign off on recommendations that had been provided to me by a Director of the DRGL or Department (as the case was from time to time).
60. Prior to signing any document as CCO, I would review the materials I was provided to ensure I was satisfied as to what was being requested of me.
61. The key information I would look for was that there had been probity and other appropriate analysis, a process had been followed and a recommendation was made that was reasonable.
62. The way in which I discharged my obligations as CCO was entirely in my own discretion.
63. I did not receive from any individual or body, a direction as to how I should conduct myself as the CCO.

Approval of Records

64. I do not recall at any time in my role as CCO, approving any matters as contemplated by section 25(1) of the Act.
65. I have approved on at least one occasion, the storage of gaming equipment at a place other than the Casino.

Delegation of Powers as CCO

66. I have never delegated any powers of the CCO to another individual.

Obstructed Performance

67. I do not recall any moment where I have felt anyone, or anything has obstructed me in my performance as the CCO.

Oversight of CCO

68. I am not aware of any formal oversight regimes that are in place to ensure the CCO is discharging their responsibilities and obligations in a satisfactory manner, save for reporting to the GWC where approvals had been granted and delegation had been exercised.
69. However, the practice I adopted was to ensure the relevant stakeholders were always aware of my activities.
70. The relevant stakeholders included:
- (a) the GWC; and
 - (b) the DG.

GWC Oversight

71. The GWC had oversight of my function as the CCO through my attendance at the monthly GWC meetings.
72. At these monthly meetings, an agenda paper would be drafted by Departmental staff and provided to the GWC to update the Commission on:
- (a) the approvals I had granted in respect of the Casino in the previous month; and
 - (b) the way in which I had exercised the powers that had been delegated to me.
73. The GWC monthly meetings were a good opportunity for me to engage with the Commission members as to issues that arose from time to time, provide background on certain matters, as required and provide recommendations as to how I thought an issue may be best dealt with.
74. At no time however did the GWC direct me to conduct myself as CCO in any particular way.

Director- General Oversight

75. Both Barry and Duncan, in their roles as DGs, had oversight of how I was conducting myself as CCO and in respect of the Casino more generally, through:
- (a) their attendance at the GWC monthly meetings, which I also attended;
 - (b) regular meetings we would have together; and
 - (c) ad hoc meetings that were required from time to time.

Gaming and Wagering Commission

Interaction of the CCO and the GWC

76. The responsibility for determining the strategic direction of the regulation and oversight of the Casino, is the role of the GWC.
77. In my view in my roles as DDG and CCO I have two key roles in respect of the GWC, that are:
- (a) licencing Casino employees, including key Casino employees, in my capacity as CCO; and
 - (b) giving effect to the wishes of the GWC.
78. To give effect to the above, all of the powers of the GWC have been delegated to the CCO and DDG, save for the power of delegation itself.
79. In respect of paragraph 77(a) above, it is much more efficient for the CCO to grant licences than it is the GWC, as the GWC only meets once a month.
80. The licencing of employees is an important part of ensuring the Casino is operating in a sustainable manner and therefore it would be impractical for approvals to only be granted or refused each month.
81. In respect of paragraph 77(b) above, from a practical point of view, the GWC does not and could not have active oversight of the work carried out by Department staff at its direction, due to it:
- (a) having no paid full-time staff dedicated to it; and
 - (b) only meeting once a month.

82. Therefore, in my roles as CCO and DDG, I am able to oversee and ensure that the work required to be completed on behalf of the GWC, is completed by Department employees.
83. In a summary form, I take the view that insofar as my role as CCO and DDG relates to the Casino and GWC, my job, beyond employee licensing, is to give effect to the decisions made by the GWC.

Monthly GWC Meetings

Chairperson

84. Throughout my time as the DDG, I have attended the monthly GWC meetings as the Deputy Chairperson.
85. On most occasions the Chairperson, being the DG, has been in attendance and therefore I am not required to assume any formal role in those meetings.
86. However, when the Chairperson does not attend, I assume the role as Chairperson.
87. However, due to my expertise and knowledge of the Casino and the environment in which it operates, in more recent times I had effective control of the agenda and manner in which items at the GWC meetings were discussed.

Information

88. The central purpose of me attending the GWC meetings is to:
 - (a) inform the Commission as to the ways in which in that previous month, I had used the powers delegated to me, as described below; and
 - (b) provide an update more generally as to the Casino operations; and
 - (c) provide advice on all of the agenda items, as required and requested.
89. In respect of (a) above, I felt that the manner in which I kept the GWC informed as to my activities, was in my sole discretion.
90. That is to say, the GWC never expressed any disappointment in the way in which I shared information and there was no policy which detailed the way I was to inform the GWC of my actions.

91. In recent times, the GWC has typically requested more detailed reports relating to audit activities and results and financial matters.
92. The format and content of the reports were being modified to meet the requests. In respect of financial matters, an accountant employed by the Department would also attend GWC meetings, as required.

Briefing Papers

93. The way in which I provided updates to the GWC was through briefing papers, which were then supplemented by the discussions that were had in person at the meetings.
94. I regularly provided briefing and agenda papers and over time I provided papers on a range of issues that affected the regulation and the regulatory framework of the Casino.
95. In the briefing papers I prepared for the GWC, I reported on those matters set out at paragraph 88 above.
96. By way of example, in previous briefing notes that I have provided to the GWC, the topics include:
 - (a) in 2015, I drafted a briefing paper in which I proposed that full time inspectors should be removed from the Casino, as that resource could be better utilised; and
 - (b) in 2019, I wrote about the role and responsibility of the GWC with respect to junket operations and money laundering and the idea of developing a national framework similar to the approach taken with National Standards for electronic gaming machines.
97. The reason why I wrote about junket operations and money laundering in 2019 was because of the following:
 - (a) the GWC was concerned at the media and regulatory focus on junkets and junket play at the Casino and
 - (b) I wanted to provide the GWC a way forward with respect to money laundering recognising the constraints of the Act and available resources.
98. I do not currently have access to all of the briefing notes I prepared for the GWC meetings.

Delegation of Power

99. As set out in paragraph 78 and at all material times, I have been delegated all of the powers of the GWC, save for the power of delegation itself.
100. However, the ordinary practice I have always adopted since receiving this delegated power is set out below.
101. A matter, whether that, inter alia, be a change to policy or the introduction of a new game, would ordinarily end up as an application, that requires a determination to be made by the GWC.
102. Before it is brought to the attention of the GWC, it would be first brought to the attention of the Department and typically myself as DDG.
103. I will then work constructively with the Department and Crown to ensure that by the time an application is made to the GWC it is in a format that allows the GWC to understand and consider it.
104. Officers within the Department would then draft an agenda paper, which is reviewed by the relevant Director of the Department to be considered at the next GWC meeting.
105. Where I drafted an agenda paper for the benefit of the GWC to consider at its next monthly meeting, I would sign the paper myself.
106. At that next meeting the GWC would discuss the application and determine whether it wishes to approve or refuse the matter requiring a determination.
107. It is common for Crown employees to attend the relevant GWC meeting to demonstrate or provide further information about the application to the GWC to consider.
108. The GWC would then approve or reject that application in principle. I would then give effect to that decision through using my delegated powers.
109. This practice has been adopted for a number of practical reasons, some of which are expressed at paragraph 80 above.
110. However, a key reason is that once the GWC has approved the application, Crown would not be able to make any amendments to it.

111. In reality, often the application that is submitted to the GWC is tweaked in minor ways, prior to my ultimate approval.
112. There are many reasons as to why this might occur, including:
 - (a) the application being amended to reflect the GWC's comments; and
 - (b) small grammatical or non-material changes being made to the application, such as to the rules of a game to ensure there is consistency across the rules of all games.
113. It is my judgment call, for which there is no written document to instruct me how to make such a call, as to whether a change to the application is a minor change or material, to the extent of the GWC needing to reconsider the matter entirely.
114. In all of my time as the CCO, I have not ever known the GWC to have disagreed with any decision I have made with respect to minor changes to applications that I ultimately approved.

Formal Policies of GWC

115. I am not aware of any formal, written policies of the GWC that relate to, or specifically address, how the CCO is expected to undertake that role.
116. The policies of the GWC that I am aware of, are largely aimed at external parties to provide guidance on the conduct of regulated activities.
117. The GWC typically use Directions issued under the Act as the method through which it dictates to Crown how the Casino is to be operated.
118. While the GWC does not have any of what I consider, its own policies in respect of Crown, it is the body that approves all of Crown's operating policies and procedures that dictate how Crown conducts its gaming operations. These operating policies and procedure manuals are annexures to the Directions.
119. In this way, those policies and procedure manuals become the agreed and enforceable method of conducting that business.

Interaction with other agencies

120. I often had conversations with representatives of casino regulators in other jurisdictions of Australia.

121. These discussions were held on an infrequent but regular basis and were sometimes as informal as a telephone discussion and as formal as working groups, panels or at seminars.
122. The common interests between regulators were in respect of probity and suitability issues, but also included approvals related to table and electronic gaming machines and other aspects of casino operations .
123. This is primarily as a result of Crown being a national business and therefore the same issues arising in different jurisdictions.
124. Due to the geographic location of the commercial interests of Crown, I would have the most regular contact with representatives of the casino regulators in Victoria and New South Wales.
125. The interactions and sharing of information are long standing traditions between state agencies.
126. By way of example, information sharing as to the probity of Crown preceded it obtaining the licence to operate the Casino.
127. More recently, the two matters where I have had the greatest cross-jurisdiction interaction were:
 - (a) the sale of shares in Crown's parent company from Melco Resorts & Entertainment (Melco) to The Blackstone Group and the potential for a multi-jurisdictional approach to probity investigations; and
 - (b) the potential responses to the risks of money laundering.
128. In respect of the sale of the Melco shares, the issues discussed with our Eastern states counterparts were around the probity and suitability of The Blackstone Group and more recently, the potential of The Blackstone Group to become the effective owner of Crown.
129. In respect of the risks of junket operators and money laundering, two matters were being dealt with.
130. The first was a suggestion that I made that there be a national framework to clearly define roles and responsibilities of all regulators, including at both State and Federal levels and across the relevant law enforcement agencies, to better assess and manage the risks of junket operators and money laundering more broadly.
131. The primary purpose of this was to define the roles and responsibilities of each regulator and to set clear expectations

that could be achieved within existing legislative and resource constraints. Regulators would then be able publish material for stakeholders and the public at large so that the public could understand what each regulator was responsible for.

132. The second matter was that in or about 2017 the Department became aware that Victorian authorities had commenced an investigation into Crown's junket activities in China (**Victorian Report**).
133. The GWC considered it would take no action until the Victorian Report was finalised.
134. The Victorian Report was, as I understand it, very close to being released however shortly before it was going to be released, the Bergin Inquiry was announced.
135. The Victorian Report was not, to my knowledge finalised or released, and the Bergin Inquiry began.
136. At that time, the GWC determined not to take any significant action to investigate. Rather it chose to assist where possible and rely on the work of these other authorities.
137. This ultimately meant that while junket operators have been on the 'radar' of the GWC for a number of years it has not taken any significant action, of its own, to investigate. This was a decision largely based on resource constraints and the reliance it could have on the work of the other authorities.

Release of Information

138. A matter related to the interaction with interstate agencies is the release of information.
139. I recall, on only a very small number of occasions, having utilised the power delegated as set out in section 13 of the Act, with other agencies.
140. The one time that I have a distinct memory of was in relation to a junket player who I understood was staying and playing at Crown's Melbourne casino and who had previously played at the Casino.
141. In that instance I cannot recall what information was provided other than it related to that persons gaming account and activity, but I do recall that I authorised some information about that player to be provided to the Victorian Police force.

My Role as Deputy Director-General

142. In considering how I performed as CCO I believe it is important to also consider the environment in which I was operating as a DDG of the Department.
143. In or about 2017 or 2018, I estimate I had the most significant workload I have ever had in my career. This coincided with the machinery of government changes that occurred across the public sector, which had the effect of amalgamating a number of government departments together (**MOG Changes**)
144. As a result of the MOG Changes I took on greater responsibility in respect of the following regulatory matters:
 - (a) local government;
 - (b) gaming and wagering more generally, including as the Chair of the Problem Gambling Support Services Committee;
 - (c) liquor;
 - (d) combat sports; and
 - (e) providing a first response to Ministerial questions about Departmental regulatory matters.
145. The changes also included me becoming the Presiding Member of the Local Government Standards Panel (**LGSP**).

Local Government

146. At the time I became involved with the Local Government Department, there was a record number of authorised inquiries that had either been commenced or were about to be commenced into local governments in Western Australia.
147. More generally the local government area had a significant backlog of work that needed to be attended to.
148. As part of my role as DDG, I was responsible for reducing the time it was taking for this work to be completed. This included responses to serious and minor breach complaints and to try to reduce the time taken to complete authorised inquiries under the *Local Government Act 1995* (WA).
149. This was frustrated and complicated through significant people in the LGSP area taking voluntary redundancies, which left a team that was far less experienced and reduced capacity.

150. The widely publicised Inquiry into the City of Perth (**City of Perth Inquiry**) was as a result of an authorised inquiry.
151. The work that I was responsible for as a result of the City of Perth Inquiry and the other authorised inquiries was largely to ensure administrative issues were attended to.
152. By way of example, this included:
 - (a) engaging the City of Perth Inquiry staff members through the Department;
 - (b) ensuring that the procurement process engaged by the City of Perth Inquiry aligned with standard Department process; and
 - (c) entering into correspondence with the Commissioner of the City of Perth Inquiry about the availability of resources and other matters the Department was asked to assist with.

Combat Sports

153. During the time I was responsible for overseeing the administration and resourcing for the Combat Sports Commission (CSC).
154. The CSC operates similar to the GWC, in that it does not have any of its own staff.
155. The Department was involved in assisting the CSC prepare a response to the Coronial Inquest into the death of Jessica Lesley Jackson (**Inquest**).
156. To ensure that the Department was discharging the obligations it owed to the Inquest in the requisite manner, I was responsible for assigning Department staff to assist the CSC.
157. The assignment of staff, from their usual tasks, not only took significant time to organise and then oversee, but also resulted in the Department having, overall, a deficit of resources.

COVID-19 – State of Emergency

158. On 15 March 2020, the Minister for Emergency Services, the Hon Francis Logan, declared a state of emergency in Western Australia, as a result of the COVID-19 pandemic (**Declaration**).
159. One of the effects of the Declaration was that Duncan and I were appointed as authorised officers to approve applications

for an increase to capacity limits for funerals, that were made to the Department.

160. Since 15 March 2020, I have personally approved approximately 300 applications.
161. I felt an enormous sense of pressure as to how these applications were dealt with. I wanted to ensure that, due to the personal and sensitive nature of them, they were not just determined in a clinical or administrative way.
162. This meant I personally considered each of the applications that were received, save for one, which was decided by Duncan as I knew the person who was the subject of the application.
163. As part of considering the applications, I would often call the applicants and funeral homes personally.
164. The purpose of these calls was to work in a constructive manner with them to see what alternatives or options were available to ensure the most amount of people that could attend were authorised to attend.
165. This was a significantly emotional and time draining task, that I estimate could have been a 6-month full-time role on its own.

DDG Meetings

166. In my role as DDG, I would regularly have meetings with a range of stakeholders.
167. This included regular and ad hoc meetings with:
 - (a) Ministers;
 - (b) the DG;
 - (c) my direct reports;
 - (d) the GWC;
 - (e) Crown; and
 - (f) the LGSP.

Ministers

168. I had a fortnightly meeting with the relevant Ministers about regulation that included in respect of liquor, gambling and local government.

169. I would additionally be required to attend a quarterly meeting of Ministers, on behalf of the Department.

The DG

170. The manner in which I held meetings with the DG is set out in paragraph 75 above.

My Direct Reports

171. I would hold a fortnightly meeting with my direct reports, which most recently were:
- (a) the Director of Licencing;
 - (b) the Director of Compliance; and
 - (c) the Director of Policy.
172. These meetings were not particularly formal, however it provided an opportunity for me to provide guidance to the Directors and understand the issues they were dealing with.
173. Minutes of these meetings were maintained, however the meetings were sometimes cancelled when there were competing higher priorities.

GWC

174. The manner in which I held meetings with the GWC is set out in paragraphs 84 to 97 above.

Crown

175. In respect of Crown and the Casino, I would attend monthly meetings with Crown representatives, following the GWC meeting (**Crown Operations Meetings**).
176. The Crown Operations Meetings were recorded, in that minutes of each meeting were prepared and sent to those in attendance for confirmation of accuracy.
177. In those meetings, we would discuss any issues for Crown that arose from the GWC meeting and anything else that was occurring from an operational perspective that Crown wanted to inform us of.
178. The individuals who were often in that meeting included:
- (a) Joshua Preston;

- (b) Claude;
- (c) Paul, prior to his retirement;
- (d) Lonnie Bossi;
- (e) James Sullivan;
- (f) Nicola Perry, the Department's Director Licencing;
- (g) Peter Minchin, the Department's Director Compliance;
and
- (h) myself.

179. More recently, other priorities have meant that I attended less of these meetings.

LGSP

- 180. In my role as the Presiding Member of the LGSP I had a fortnightly meeting, which required significant preparation.
- 181. Significant preparation was required as the agenda papers would often run into six or seven hundred pages and there was an expectation they would be read prior to the meeting.
- 182. The preparation for and attendance at LGSP meetings would often take up at least a day of my week each fortnight.

'Junket' Operations

- 183. I understand that junket operations are organised groups of players, whereby the operator who organises the group is paid a commission on turnover.

Historical Background

- 184. Historically the GWC and government more generally, took the view that it was important to know who was conducting junket operations for probity reasons (amongst others).
- 185. In undertaking its investigations, the GWC sought input from WAPOL through, the then, Casino Investigations Unit as part of the Bureau of Criminal Investigation.
- 186. WAPOL would then provide details of any adverse matters the GWC should consider to the GWC.
- 187. This system had the benefit of the GWC being informed as to who was coming in as part of a junket and required Casino

Inspectors, who were at that time based permanently at the Casino, to attend and witness junket buy-ins and settlements, as result of the gaming activities.

188. I understand that the GWC stopped approving junket operators in 2009 or 2010.
189. I believe part of the reason for this was the difficulty in both the GWC and WAPOL obtaining reliable information from overseas jurisdictions.
190. This coincided with the introduction of the Commonwealth's *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Act) and new regulatory responsibilities for AUSTRAC.
191. I believe as a result of this the GWC determined there would be no added regulatory benefit in approving junkets.
192. The effect of these changes was that junket operators could operate, in accordance with approved policies and procedure manuals, without any formal approval from the GWC.
193. The Department continued to commit its resources to the revenue and taxation issues that arose as a result of the junkets occurring and ensuring the integrity of gaming and other transactions that took place within the Casino, as these were things the GWC had the capacity to oversee.
194. Further, and largely as a result of investigations and inquiries underway, in or about late 2020 and early 2021, the approved policies and procedures manuals of the Casino were amended to prohibit junket play.
195. Junket operators are no longer allowed to operate at the Casino. Those activities cannot recommence without the prior approval of the GWC.

Junkets – Skills, Resources and Oversight

196. There are two matters I wish to raise in respect of junket operators in Western Australia, being:
 - (a) the skills and resources at the disposal of the GWC; and
 - (b) the legislative regime in which the GWC operates.

Skills & Resources

197. The GWC and Department more generally does not, and I believe never has had, employees who have sufficient time and

skills to investigate, trace and deal with sophisticated operators, such as junket operators.

198. This is, in part because junket operators and the players are largely based and recruited from overseas.
199. As a result, the GWC did not, even if it had wanted to, have the resources available to it to investigate the probity and source of funds used by junket operators.
200. The GWC regulatory focus has been on the transactional and operational activities that occurred at the Casino.
201. With appropriately skilled staff the GWC could however had greater oversight of strategic matters, including ownership, governance and control as they relate to the operator of the Casino.
202. In my view, appropriately skilled staff would include individuals who:
 - (a) can understand corporate structures and a Board with oversight of a group of companies;
 - (b) have the ability to understand and interpret financial information; and
 - (c) have analytical and financial skills rather than just more basic audit and investigation capability.
203. Even with those skills available to it, it would be extremely difficult if not impossible for the GWC to identify the source of funds from players coming from overseas, within the constraints of the existing legislation.

Legislative Regime

204. The current legislative regime as I understand it, is set out at **Annexure A** to this statement.
205. A further issue with the GWC conducting any investigations into junket operators is the restrictive legislative environment in which it operates.
206. The GWC operates under Western Australian legislation and has limited powers relating to matters that take place outside of the State.
207. In my view, and the view that the GWC appears to have agreed with in the past is that the Commonwealth through the appropriate agency is responsible for granting or rejecting visa

applications. Suitability and any criminal history or association is a matter that should be determined at that point.

208. AUSTRAC is responsible for the administration of the AML/CTF Act. It shares intelligence information with other law enforcement agencies, including WAPOL as it relates to matters in Western Australia.
209. Neither the GWC nor the Department are considered by AUSTRAC to be law enforcement agencies.
210. For this reason, AUSTRAC does not share intelligence information or information about financial transactions with the GWC or the Department.
211. Further, I understand that the GWC cannot make inquiries relating to financial and suspect matter reports made by Crown to AUSTRAC and Crown cannot share that any of these reports with the GWC.
212. I understand that where issues have been found by AUSTRAC they have largely been addressed in a satisfactory way. My understand is premised upon Crown representative attending GWC meetings and providing a short summary of the conclusion of these investigations.
213. Just prior to the release of the Bergin Report, representatives from the anti-money laundering unit of WAPOL reached out to the Department, for the purposes of introducing themselves and to discuss possible collaboration in the future.
214. To my knowledge this is the first time this has happen and I was not aware of the existence of this unit until that time. There has been no further contact to my knowledge at this point.
215. It is my understanding that WAPOL and the Federal Police are responsible for ensuring those individuals who commit crimes are brought to account, which includes but is not limited to money laundering.
216. AUSTRAC and WAPOL (amongst others) have not historically provided significant (if any) assistance to the Department or the GWC in respect of what occurs at the Casino or shared information on a regular basis or at all.
217. Accordingly, it is extremely difficult for the GWC in circumstances where it:
 - (a) does not have individuals with sufficient skills and experience to investigate matters;

- (b) is not primarily responsible for collating money laundering information; and
 - (c) does not have information shared with it from the organisations that are responsible for those matters.
218. This is why the contention that has been popularly sprouted in the media about the GWC and Department's role in ensuring money laundering does not occur is, to me, nonsensical.
219. Further, upon the commencement of the Bergin Inquiry, I requested and obtained legal advice internally from the Department as to the Department and GWC's role in managing and investigating money laundering.

Risk Assessment

220. There are a number of risk management processes that are in place to regularly assess risks in relation to the conduct of activities at the Casino.
221. These include in respect of matters such as gaming, security, surveillance, taxation and revenue.
222. The formal risk processes centre around individual activities, as opposed to structural or strategic risks.
223. The processes typically result in the allocation of inspectorate resources, based on key priorities.
224. The key priorities are informed by the risk of compliance, or non-compliance and on an assessment of the effectiveness of control frameworks.
225. The chain of command or workflow process in respect of a risk assessment is, as I understand, intended to be as follows:
- (a) the Casino Inspector conducts an assessment and drafts a report;
 - (b) a Senior Casino Inspector reviews that report;
 - (c) the report is then provided to the Director of Compliance within the Department for a further review; and
 - (d) the report is then provided to the Department's policy and risk team, where if action is required to amend any policies or processes, this occurs.

- 226. In my current role, I will ordinarily only be involved in this process if the change in policy or process requires someone with delegated authority to sign off on it.
- 227. In or about 2019, the risk management processes of the Department were a concern of mine and for this reason I sought to engage an external third party, RiskWest to carry out a review of the process.
- 228. RiskWest commenced their review of the Department's processes in the local government area.
- 229. RiskWest has only recently completed its report in relation to local government. I do not have access to this report.
- 230. This was the first priority to address as a result of an Office of the Audit-General findings.
- 231. While one or two workshops have been held with senior officers in relation to Casino matters, no substantial progress has been made.

Current Licencing

Crown Staff

- 232. The licencing of individuals within the Casino is, in my view, largely adequate and fit for purpose in respect of probity and suitability considerations.
- 233. Additionally, the current practice is for the names and licences of all VIP Crown staff (which includes the hospitality and gaming) to be sent to WAPOL for an ongoing suitability check.
- 234. Additional to these staff members are all of the unlicensed staff members that deal with VIPs.
- 235. There are still different categories of licences that individuals can hold depending on the role they carry out.
- 236. I think that is remnant of another time.
- 237. If an individual can pass the probity, skills and ability training and competency requirements necessary to work in the Casino, they should be considered suitable to work in any part of the Casino.

Department Staff

238. In respect of those Department staff members that are authorised officers (which includes Casino Inspectors), I am of the view their financial history and circumstances should be considered annually.
239. When I first joined the DRGL as a Casino Inspector, my financial history was, as I understand it, thoroughly checked by the DRGL. I also agreed to ongoing checks being carried out as a condition of my employment.
240. This practice appears to have fallen by the wayside but is important in my view to ensure sufficient checks are in place.
241. Further, the Department should also have a more regular process around related party declarations (which currently happen annually for senior officers) and declarations of conflicts of interest.
242. In my view, both of these declarations should be made annually, to ensure there is transparency and oversight and to ensure these matters are 'front of mind' for Department staff, at least once a year.

Other Licences

243. The Department does not licence the games within the Casino, as these are approved rather than licenced.

Audit and inspection requirements

244. The audit and inspection requirements of the Department have not materially changed since the mid-1980s.
245. Audit and inspection activity consistently find very low rates of non-compliance.
246. In my view, whilst important as part of a more sophisticated regime, these reports and audits are not adding significant value to the current compliance and regulatory regime.
247. The resources available to the Department could be deployed in a different way.
248. This different way would include, consideration of more holistic and strategic matters such as detailed reviews of Crown's financial information, reviews as to who is exerting influence and control over Crown and the structure and direction of the board of Crown.

249. The GWC could lead this change by providing greater guidance to the Department staff as to the direction and focus of audit and compliance inspections.
250. In addition to a considerable updating and upgrading of skills in the Department this would require the GWC to itself have financial accounting and other associated skilled individuals on the Commission in order to be able to interpret and act upon this advice.
251. Recently the composition of the GWC has evolved to include individuals with a broader skill set.

Conflicts of Interest

Opening Statement

252. In respect of conflict of interests, I set out below my knowledge of the relevant Department policies and personal friendships that I had, and still have.
253. As set out below, I had friends who worked, at various times, at Crown.
254. I advised the DGs of these friendships and I believe I was open and transparent about them.
255. I believe that when these friendships were raised in the context of other conversations, I spoke freely about them.
256. I did not at any time seek to hide or otherwise obfuscate the ability of Departmental staff or the GWC members to find out about the friendships that I have.

Policy Documents

257. I am aware that GWC documents which deal with conflicts of interests are set out in their Code of Conduct.
258. This document was originally drafted in or about 2014 and reviewed in or about 2018.
259. I am also aware that the Department has a Code of Conduct Policy document (as amended over time) which also provides guidance on dealing with conflicts of interests (CI Policy).
260. As I recall the standard way in which the Department would publicise a new policy, such as when the CI Policy was amended, was through an email broadcast and then the relevant policy being published on the Department's intranet.

Policy Document – Improvements

261. There are a number of ways I believe the policies of the Department could be improved, which would assist its staff.
262. In respect of the CI Policy, it could be improved so as to require staff members, whether it be only authorised officers or staff more generally, to complete a conflicts of interests declaration on an annual basis.
263. This would be similar to what currently occurs in respect of related party declarations.
264. Such a policy change would in my view strengthen the transparency of any conflicts that may arise and would serve to address some of the cultural issues as set out below.

Culture of Conflicts of Interest within Department

265. Nothing set out below is intended to draw into question the character, propriety or integrity of Department staff members.
266. However, I could have disclosed, on a more regular and formal basis, the friendships I have in a more complete way, to avoid any allegations or perceptions of a conflict of interest, with respect to my friends.
267. However in the context of paragraphs 254 to 256 above and paragraphs 313 to 315, if anyone did consider the friendships I had to be a conflict, in any way, I would expect them to have informed me of that or report that through the more formal channels so that it could be dealt with.
268. I am unaware of any time anyone in the Department reported my friendships as potential conflicts of interests, through formal channels.
269. In the respect of the friendships as set out at paragraph 293, I have, previously informed:
 - (a) Barry, while he was DG of the DRGL;
 - (b) Duncan, while he has been the DG of the Department; and
 - (c) various members of the GWC from time to time,about the friendships I have had and continue to have, with Crown employees, as set out at paragraph 293.

270. I recall that when I told Barry about these friendships, he said to me words to the effect of *"well can you please put that in an email for me so we can have it on file"*.
271. I do not have a distinct memory of sending that email, but I do believe that I would have done as Barry had asked. I do not presently have access to a complete set of my emails.
272. This conversation was quite some time ago however and whilst I recall advising him of occasions where I was intending to spend time with these friends, I do not recall the detail or whether I advised him prior to every occasion I was intending to spend time with them.
273. Nothing further came of the matter. Nor were any concerns raised at any later date.
274. Had Barry advised or informed me that it was not appropriate, I would have followed his direction.
275. Equally when I told Duncan about my friendships, I was not told that they were inappropriate, and I do not believe this raised any real concern.
276. I do not believe anyone who I had informed of the friendships, including the DGs, thought I had an issue in respect of a conflict of interest.
277. I am also aware that members of the Department have had partners, friends and / or family work at Crown while they have been employed at the Department, in areas related to Casino regulation.
278. I do not understand that any action has been taken in respect of these relationships being known.

Staff Transfers

279. One of the main reasons I think that conflicts of interests are harder to manage in respect of the Casino operations and regulation is because of the niche employment area that it is.
280. This niche employment area and the way in which that contributes or may heighten potential conflicts of interests arising is with respect to:
- (a) the physical proximity in which the work is, and has historically been, undertaken; and

- (b) the regulation of employment within a specific industry and activity and the specialised knowledge and skills this creates.

Physical Proximity

- 281. Casino Inspectors, as set out above, are physically present at the Casino from time to time to conduct audit, inspection and investigation activities.
- 282. This, naturally in my view, results in Casino Inspectors becoming familiar with the other individuals they see on a regular basis, being predominately Crown employees.
- 283. It is opaque as to when a relationship could be said to become both professional and friendship, however I am aware of a number of instances of where Casino Inspectors and other Departmental staff may have ultimately become friends with Crown employees as a result of regularly seeing them and having common interests.

Regulation of Employment

- 284. There are a number of regulatory hurdles that an individual must overcome in order to become a licenced Casino employee.
- 285. Equally a Department employee who works as a regulator of the Casino regulation of the Casino is themselves subject to some competency assessment.
- 286. The role of being responsible (in whatever manner) for the regulation of the Casino provides individuals with niche experience.
- 287. That is, while there may be many skills that are transferrable to other jobs, there are many skills that are learnt that solely assist in the regulation of casinos.
- 288. Equally many employees of Crown who work in the Casino learn skills that are purely helpful to operating or regulating casinos.
- 289. This results in both Crown and Department staff being most useful to, in respect of potential employers in Western Australia, Crown or the Department.
- 290. This has, on occasion, seen individuals move from jobs with the Department to Crown and vice versa.

291. As I understand it there is no prohibition on this occurring, although there is delays as to when this can occur in other jurisdictions.

Personal Relationships

292. Set out below is a complete disclosure of my friendships with individuals who, at one time or another have been Crown employees.

293. I am currently friends with Paul, Jon and Claude.

Paul

294. I have been friends with Paul since the time we both worked at the DRGL in or about the 1990s.

295. When I first started in the DRGL, Paul was one of my bosses.

296. In or about early to mid-2000s, Paul left the DRGL to start a private business venture.

297. In or about 2007 or 2008, Paul came back to the DRGL.

298. In or about 2007 or 2008, I was part of the panel that interviewed Paul. He was employed by the DRGL and I became his direct report.

299. I think he was employed with the DRGL until approximately 2009.

300. He was offered a job at Crown that I had been offered (and rejected), in the Legal and Compliance team.

301. He took that offer and remained employed at Crown until his retirement until 2019.

302. Paul and I have regularly kept in touch since first meeting at the DRGL, including when he went off to start his own business in or about the mid-2000s.

Jon

303. I have been friends with Jon since around the time I commenced employment with the DRGL.

304. At that time, Jon was also an employee of the DRGL.

305. While Jon is now retired, he has previously held roles in the DRGL, Racing and Wagering Western Australia and later in his career, with Crown.

306. I do not recall when Jon commenced employment at Crown, nor what his job was while he was employed at Crown.
307. I believe he was employed in relation to the construction of Crown Towers.
308. I understood that his role at Crown had nothing to do with gaming operations.
309. I would catch up with Jon on an infrequent but regular basis, less than the frequency as to when I saw Paul.

Claude

310. I believe:
- (a) I first met Claude in or about 2012;
 - (b) I was introduced to him by Paul, in my capacity as DDG attending the Crown Operations Meetings, which Claude was also attending in his capacity as a Crown employee as Manager of Legal and Compliance.
311. I understand that the role of Manager of Legal and Compliance, was to be responsible for all of Crown's compliance obligations.
312. Through meeting Claude, I became aware that he had an interest in fishing, which was, and continues to be, a keen interest of mine.

Fishing

313. It was, to my knowledge, widely known in the Department across all levels that I was and am interested in fishing.
314. The purpose of going fishing for me is to get away from work and have time to relax.
315. When I have talked about my fishing trips with people in the Department, I have not hidden who I often go fishing with.
316. Prior to 2012, I owned a small 16-foot boat, typically referred to as a 'tinnie'.
317. In 2012, I purchased a 6.4 metre 2009, Caribbean Reef Runner (Boat).
318. I do not recall the first time I invited Paul, Jon or Claude on the Boat but I believe it was in or about 2013.

Crayfish

319. Since 2013, Claude and I have annually gone fishing for crayfish at least a couple days of the week, for a four-to-five-week period in the year.
320. Trevor Dutton, a former DRGL employee, who is now retired, was also a regular on these trips with Claude and myself.
321. The only exception to this that I remember was in 2019 when we did not go at all, as I had broken my leg and was recovering from surgery.
322. On rare occasions Paul also joined these early morning trips.

Fishing Trips

323. In 2014, Claude joined myself and another friend of mine with no material or other connection to the Department or Crown, on my boat in the Marmion Angling and Aquatic Club (MAAC) annual Bluewater Classic fishing competition.
324. From a review of my records, also I remember that Paul, Jon, Claude and myself went on the following weekend fishing trips:
 - (a) in or about 2015, we went to Paul's holiday home in Mandurah;
 - (b) in or about 2017, we went to Jurien Bay;
 - (c) in or about 2019, we went to Jurien Bay again; and
 - (d) in or about 2019, we went to Rottnest Island.
325. In or about August 2016 and further to the above, I invited Claude on a fishing trip to the Mackerel Islands, as a friend who was going to come with a small group of friends of mine, pulled out at late notice.
326. The two other friends we went with on that trip have no material connection to the Department or Crown.

Stejcraft Runabout

327. In or about 2015, I purchased an 18-foot Stejcraft runabout for \$8,000 (**Runabout**).
328. The purpose of purchasing the Runabout was to give myself a project to renovate and fix it up and then to on sell it.

329. Approximately seven or eight months after I had purchased the Runabout, I decided I wanted to sell it.
330. By that time, and from a review of my records, I understand I incurred \$4,883.79 worth of costs in renovating and fixing it.
331. I told Claude that I was going to sell it and he expressed an interest in purchasing it.
332. Ultimately, he purchased the Runabout from me for \$13,000. This meant I made a \$116.21 profit from this sale.
333. I disclosed to the Department, the sale of the Stejcrafft to Claude. Annexed to this statement as **Annexure B** is a true copy of the email I sent.

Dinners & Functions

334. My friendships with Paul and Jon have, as set out above, been enduring.
335. We have infrequently but somewhat regularly caught up, whether that be for a beer at a pub or for a dinner.
336. Since 2012, I have been out to dinner with Claude, Paul and Jon a handful of times including at the MAAC, and at Paul's house which I believe was for his birthday.
337. When we had dinners, our partners would attend with us.

Paul's Retirement

338. In or about 2019, when Paul ultimately retired, a retirement party was organised by Crown for him.
339. I became aware that Paul had invited not only myself but also 15 other Department employees.
340. I understood that Crown would be paying for all of the catering that was put on at this event.
341. For this reason, I asked for a list of all of the Department employees that had been invited.
342. Once I was in receipt of that list, I had a conversation with Duncan about the function and who was invited, so as to ensure he was fully aware of the circumstances.
343. I sent an email to Duncan in respect of our conversation about Paul's retirement function.

344. Duncan approved all of the invited Department staff to attend and requested that a record of this was kept.
345. The reason I went to Duncan was because, unlike a personal friendship, in the case of Paul's function, Crown was catering the function.
346. I wanted Duncan to know that the function was occurring, and that Department staff had been invited in these circumstances.
347. I do not and have not accepted any gifts of hospitality or any other gifts from Crown, other than the refreshments provided at the Crown Operations Meetings or work-related functions or events and the above.

Documents

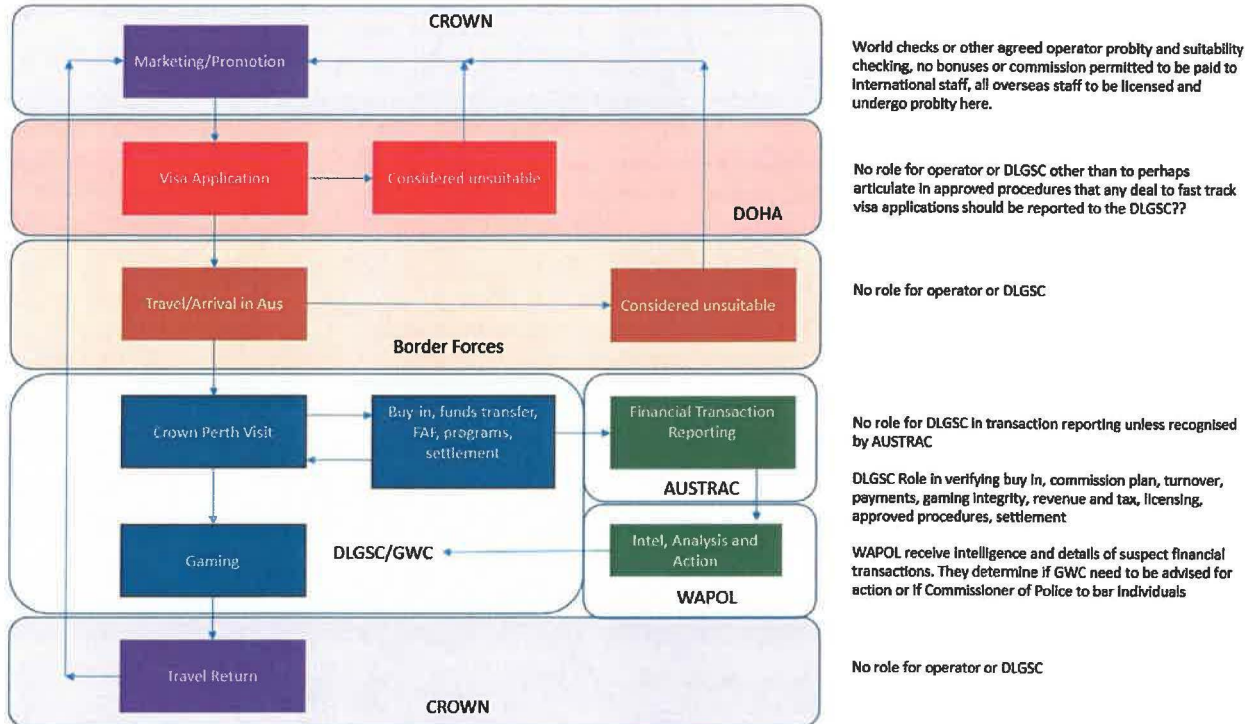
348. On or about 28 March 2021, I was directed by the Department to not be involved in any work associated with Crown or to access any records related to the Casino.
349. On 30 April 2021, my lawyers sought provision of documents related to this witness statement from the Department.
350. On 6 May 2021 at approximately 3.15pm, my solicitors were provided with the information that was requested from the Department.
351. I have read the contents of this my witness statement and I am satisfied that it is true and correct and that this is the evidence-in-chief that I wish to give to the Commission.

Contains sensitive information



Date: 7 May 2021

Annexure A



Annexure B**Jacqueline Lay**

From: Michael Connolly
Sent: Tuesday, 13 October 2015 2:07 PM
To: Barry Sargeant
Subject: Private Sale

Hi Barry

As discussed yesterday, I recently purchased a boat that I have refurbished and placed for sale. Claude Marais from Crown Perth has made an offer on the boat which I have accepted. In my view this should not constitute a conflict of interest, real or perceived.

In my view this transaction is:

- not a private interest that conflicts with my public duty;
- not a transaction that provides any benefits to me beyond the fair value of the boat for sale;
- not a transaction that should be perceived as having any ability to influence any decision I make in the future;
- a private transaction that is being made on the basis of a fair and reasonable sale price for the boat; and
- made without any promises or commitments in relation to the matter beyond those normally given by a private vendor to a private purchaser.

On the basis of the above I do not consider this as a real or potential conflict of interest.

For your information and consideration

Mick

Mick Connolly
Deputy Director General
Department of Racing, Gaming & Liquor
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