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**PERTH CASINO ROYAL COMMISSION**

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**PUBLIC HEARING - DAY 5**

**10.00 AM WEDNESDAY, 12 MAY 2021**

**COMMISSIONER N J OWEN**

**COMMISSIONER C F JENKINS**

**COMMISSIONER C MURPHY**

**HEARING ROOM 3**

**MS PATRICIA CAHILL and MS APARNA JAYASEKERA as Counsel Assisting the Perth Casino Royal Commission**

**MR SAM VANDONGEN SC and MR NICK MALONE as Counsel for Mr Michael Christopher Connolly**

**MR PAUL D EVANS appeared for Gaming and Wagering Commission of Western Australia**

**MS FIONA SEAWARD appeared for The Department of Local Government, Sport and Cultural Industries**

**MR KANAGA DHARMANANDA SC and MR JESSE WINTON appeared for Crown Resorts Ltd; Burswood Limited; Burswood Nominees Limited; Burswood Resort (Management) Limited; Crown Sydney Gaming Pty Ltd; Southbank Investments Pty Ltd; Riverbank Investments Pty Ltd and Crown Melbourne Limited**

COMMISSIONER OWEN: Please be seated.

5 Before we resume, just a few matters. The documents that go up on to the Lexel  
hearing book and are displayed, what we try and do is just put up the non-redacted  
version, non-redacted portions of the document. It will be less confusing that way.  
But what goes into evidence of course is the entire document because that is  
necessary I think in case you have to put the non-redacted parts in context of either  
10 the part of the whole. The parties can reassured that we are well aware that we can  
only rely on documents that are relevant to the Terms of Reference. Mr Connolly is  
to give evidence today. It is unlikely we will finish his evidence today and we  
propose to proceed in the same way as we did for Mr Ord and Mr Sargeant, which is  
that we will complete sections that can be completed, including all examination and  
15 re-examination in fairness to Mr Connolly so that he's not limited in his access to  
advisors. The Commissioners will probably, depending on time, will probably defer  
their questioning of Mr Connolly until a later time. Of course there may be a need to  
circle back to matters that have been dealt with.

20 In relation to Mr Connolly's witness statement, we propose to make it available to the  
media after the lunch break today. It can be redacted to remove personal  
information. The first line, for example. But I ask Mr Connolly's legal advisors if  
there is anything else they would like redacted from that statement, they should  
speak to the solicitors assisting as soon as we break for lunch. Grateful to the  
solicitors for Crown for the draft minute of post non-publication order. We will deal  
25 with that as soon as time permits.

Now, is there anything before we call Mr Connolly?

30 MS CAHILL: No.

COMMISSIONER OWEN: Mr Connolly, if you would mind standing at the witness  
section, thank you.

35 **MR MICHAEL CHRISTOPHER CONNOLLY, AFFIRMED**

40 COMMISSIONER OWEN: Thank you. Please sit down, Mr Connolly. Good  
morning.

**EXAMINATION-IN-CHIEF BY MR VANDONGEN**

45 MR VANDONGEN: I appear for Mr Connolly.

You have prepared a witness statement?

10:03AM

MR CONNOLLY: That's correct.

MR VANDONGEN: That is dated 7 May 2021?

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MR CONNOLLY: That's correct.

MR VANDONGEN: Do you have a copy in front of you?

10

MR CONNOLLY: I do.

MR VANDONGEN: And that contains the Royal Commission identifying number MCN.0001.0001.0001 in the top right corner.

15

MR CONNOLLY: It does.

MR VANDONGEN: Is that witness statement true and correct?

MR CONNOLLY: Yes, I believe it is.

20

MR VANDONGEN: Do you submit that as evidence?

MR CONNOLLY: Yes, I do.

25

MR VANDONGEN: I tender that witness statement.

COMMISSIONER OWEN: The witness statement of Michael Christopher Connolly which bears the document identifier of MCN.0001.0001.0001 (inaudible).

30

**EXHIBIT #MCN.0001.0001.0001 - WITNESS STATEMENT OF MR MICHAEL CHRISTOPHER CONNOLLY**

35

COMMISSIONER OWEN: Yes, Ms Cahill.

**CROSS-EXAMINATION BY MS CAHILL**

40

MS CAHILL: Mr Connolly, you commenced work as a casino inspector in 1990; correct?

MR CONNOLLY: Yes, that's correct, commenced work in 1990.

45

MS CAHILL: And were you a casino inspector until 2002?

MR CONNOLLY: That's correct.

MS CAHILL: I understand from your witness statement that you had approximately four months full-time training before you commenced as an inspector in 1990.

5 MR CONNOLLY: That's correct.

MS CAHILL: Was that training run by the department?

MR CONNOLLY: Yes, it was.

10

MS CAHILL: Who specifically ran the course, in the sense of what was their position within the department?

MR CONNOLLY: There were a number of people who ran the course, as I recall. Senior inspectors as I remember that. It is quite a while ago but I think it was the senior inspectors at the time.

MS CAHILL: Can you give me a thumbnail sketch of the course content?

20 MR CONNOLLY: Course content was, as I remember it, it was predominantly around table games and electronic games, learning the rules, the procedures, becoming familiar with the legislation, directions in particular around the activities, understanding activities, surveillance, security. Basically understanding how the casino worked.

25

MS CAHILL: Was any explanation given to you about the overarching regulatory purposes of casino regulation in WA?

MR CONNOLLY: Not that I recall.

30

MS CAHILL: Do casino inspectors still undergo full-time training such as you undertook before they commence in their role?

MR CONNOLLY: No.

35

MS CAHILL: Do they undergo any training at all?

MR CONNOLLY: It is predominantly on the job. We haven't had new inspectors for quite a while, but it is predominantly on the job.

40

MS CAHILL: When did the position change from full-time training such as you had to the more predominant on the job training?

MR CONNOLLY: Again, this is quite a while ago but I think as I recall it my cohort of inspectors was probably the last time of training of that scope, that extent, four months or so.

45

10:06AM

MS CAHILL: Do you have any knowledge or insight into the reason for the change?

MR CONNOLLY: No.

5

MS CAHILL: You don't?

MR CONNOLLY: No.

10 MS CAHILL: All right.

We were just talking about training before you begin your job as an inspector. Was there any formal training provided to you during the course of your job as an inspector, once you had started?

15

MR CONNOLLY: There is on the job training provided. We had regular training days in the days when we had a permanent casino inspector presence. Those training days had sessions, again, often run by senior inspectors. They were, I think the primary purpose of those was to refresh and to make inspectors aware of anything that is new or had changed.

20

MS CAHILL: Right. You say, if I understood your answer just then, that those were regular training days when you had a permanent physical presence of inspectors at the Perth Casino?

25

MR CONNOLLY: That's right.

MS CAHILL: And that changed in 2015?

30 MR CONNOLLY: Around about 2015 that changed, that's right.

MS CAHILL: Do you have regular training days now?

MR CONNOLLY: No.

35

MS CAHILL: What is the sort of training that is offered now?

MR CONNOLLY: Not much if I'm frank. Training is generally again on the job training and information is provided to inspectors at regular inspectors meetings but I think it is a stretch to call that training.

40

MS CAHILL: All right. Do you have any knowledge or insight of or into why there was a change from having the regular training days to not?

45 MR CONNOLLY: Probably insight, not knowledge. But certainly in the earlier days when the casino had a larger inspectorate based at the casinos, rosters were four on, four off and there was always an additional day people were required to work. That was used as a training day. Those arrangements are not in place anymore.

MS CAHILL: So is it a question of just no available time to have training?

MR CONNOLLY: I think that is probably what it is. Yeah, no available time.

5

MS CAHILL: Are there resources --- if there was an available time for inspectors as a group, I think you are saying ---

MR CONNOLLY: Yes.

10

MS CAHILL: --- to all meeting together and train, are there resources within GWC or the department to actually deliver that training?

MR CONNOLLY: No, I wouldn't have thought so.

15

MS CAHILL: Why do you say that?

MR CONNOLLY: I think most people are at the same sort of standard with their knowledge and experience. It would be people training each other. Whether there is a significant benefit in that, I don't know. No, I don't think so.

20

MS CAHILL: Now, I asked you this question in a different way before or with a different emphasis, but putting aside any sort of formal training days or pre-commencement training, at any time during the period that you worked as a casino inspector, did anyone ever explain to you the overall regulatory purpose or objectives of the GWC?

25

MR CONNOLLY: Not that I recall.

MS CAHILL: Or the regulatory purpose or objective of a casino inspector's job?

30

MR CONNOLLY: I think not in so many words. Certainly in terms of what our function was and what the purpose of the activities we were undertaking was, yeah, we understood those purposes I think. And they were explained to us.

35

MS CAHILL: Can you explain to me what was explained to you?

MR CONNOLLY: So in respect of different functions our role was and still is around ensuring the integrity of the casino gaming operations, the audited ability, transparency, fairness of games, the reporting of revenue and tax and ensuring that those are reported and collected correctly. Those sorts of things.

40

MS CAHILL: We'll come back to that when we look at that later on. Do casino inspectors that commence work these days, by which I mean in the last few years, do they have those regulatory purposes or objectives explained to them when they come on board some.

45

10:10AM

MR CONNOLLY: It is certainly explained to them when they get down to those task levels and the programs they run. The programs (inaudible) are, yes, that's true. Knowing of course we don't have specific casino inspectors anymore, it is part of a broader role.

MS CAHILL: Understood. I will come back to that as well. You make the point at paragraph 17 of your witness statement that the functions of a casino inspector remain largely unchanged since you were one back in the '90s.

MR CONNOLLY: Yes.

MS CAHILL: You mention at paragraph 14 that inspectors carry out inspections and audits and prepare inspections --- reports on those inspections and audits. Can I ask you first about inspections? Can you explain to me in the broad what inspections are undertaken and how?

MR CONNOLLY: So you are talking specifically about inspections as distinct from other activities?

MS CAHILL: Yes.

MR CONNOLLY: For me an inspection is a cut-down version of an audit. It is a quick preliminary look at a particular activity or function. Rather than going through the whole audit process. So we would have inspections of all manner of things, from things like the documentation around opening and closing table games, staffing levels in security and surveillance. All manner of things.

MS CAHILL: And are those inspections typically done physically at the Perth Casino or offsite?

MR CONNOLLY: No, physically.

MS CAHILL: What is the purpose of those inspections?

MR CONNOLLY: They are a short, sharp look at a particular activity rather than going through a whole audit process.

MS CAHILL: What are you looking for?

MR CONNOLLY: Breaches of internal control policies and procedures.

MS CAHILL: Is this a reference, when you say "internal control policies and procedures" to the casino manuals?

MR CONNOLLY: Yes, it is.

MS CAHILL: Just to understand, those casino manuals are a very large live

document ---

MR CONNOLLY: Yes.

5

MS CAHILL: --- that traverses the entirety of the casino operations?

MR CONNOLLY: That's right.

10 MS CAHILL: And that is maintained by the department?

MR CONNOLLY: They are Crown's documents but they are approved by the Gaming and Wagering Commission.

15 MS CAHILL: Does the department have live access to those documents?

MR CONNOLLY: Yes, they do.

MS CAHILL: And they are quite prescriptive?

20

MR CONNOLLY: Very prescriptive.

MS CAHILL: And detailed about processes and procedures that Perth Casino must follow in relation to all aspects of casino operation?

25

MR CONNOLLY: In relation to all aspects of gaming and gaming operations, yes.

MS CAHILL: Casino operations, would you agree in the sense that it deals with such things as surveillance and security and those sorts of things on the premises.

30

MR CONNOLLY: Yes, it does.

MS CAHILL: Not just limited to games and security of games; would you agree?

35 MR CONNOLLY: I agree.

MS CAHILL: So the inspections are a quick, is it right to say, a preliminary look at whether or not those procedures are being followed in the casino manuals?

40 MR CONNOLLY: They are a quick --- I agree they are a quick look. They are not necessarily in all cases a preliminary look because something may not follow. But, yes, they are a quick look to ensure compliance in particular and discrete and specific areas.

45 MS CAHILL: Would it be fair to say that the inspection is the quick look to see if a red flag is raised?

MR CONNOLLY: Yes, I think that is a fair comment.



MS CAHILL: And do you then proceed to the audit stage when you detect a red flag or a possible red flag?

5 MR CONNOLLY: We would if we detected a red flag or possible red flag but that is not the only trigger for audit. Audit can happen without an inspection happening as well.

10 MS CAHILL: All right, I will ask you questions about the audits in a moment but to finish off on the inspections, is it the position that inspections are not undertaken for the purpose of detecting signs of possible or potential money laundering?

MR CONNOLLY: Sorry?

15 MS CAHILL: Are inspections ever undertaken for the purpose of detecting indications of possible or potential money laundering?

MR CONNOLLY: No.

20 MS CAHILL: Have they ever been?

MR CONNOLLY: Not to my knowledge.

25 MS CAHILL: Have inspections ever been undertaken for the purpose of detecting signs of possible or potential criminal activity of any other kind?

MR CONNOLLY: No.

30 MS CAHILL: The audits, sorry if this sounds a little repetitive, it's so we get the evidence on the transcript later for the Commissioners benefit. How would you explain the purpose of an audit?

35 MR CONNOLLY: I think to explain the purpose of the audit it is probably good to have a picture of what it is we're trying to achieve. So with the casino and the casino manuals we have a control framework that is developed. So we have very strong controls, they are prescriptive and tell the casino how they must do certain things. They cover all aspects. As an example I would probably give table games. So the controls that are in place over that include controls over surveillance. So who watches the game physically and in person, who is there, how many of those people  
40 need to be there, what their supervision is, what the level of electronic surveillance is in terms of close circuit TV, who is conducting the game, have they gone through probity, that is their licence. They have gone through probity. We understand their training regime. They have been certified to have done that. The people who supervise them have also gone through that. Then there are the rules, procedures and  
45 the other documents that dictate how the game is actually played. And then there is control over the equipment, who supplied it, what standards it has to meet. All of those things are prescribed in the manuals. The purpose of an audit is to test those

controls. Audits are broken down into specific small parts and each audit tests those controls to see that they are effective and whether or not the casino is actually complying with them.

5

MS CAHILL: And if we can just stay with the example that you've given, appreciating that because the casino manual operates over a very diverse range of casino operations, can you just give us some sense of how one would actually go about an audit of the table games that you've just described?

10

MR CONNOLLY: So an audit of a table game could take a lot of different forms. There would be a number of audits. It wouldn't be one audit of a table game. An audit of a table game might be an audit of the rules of the game. An inspector would actually physically witness the game being conducted for a period of time and our audits are checklists of things that they need to evidence, observe and document and they would be --- they are quite simple in terms of checking that each of the employees who are dealing or conducting this game are actually conducting it in accordance with the rules.

15

20

MS CAHILL: And are any audits ever conducted in respect of the Perth Casino's books of account?

MR CONNOLLY: Revenue and tax, so there are revenue audits and audits of the tax calculation. So revenue audits would happen on a frequent basis.

25

MS CAHILL: And do they occur physically on Perth Casino's premises?

MR CONNOLLY: Yes, they do.

30

MS CAHILL: Right.

And is that in a physical paper form or by ---

MR CONNOLLY: It is generally the physical paper form. Following the documentation.

35

MS CAHILL: So the books of account are held in hard copy format?

MR CONNOLLY: They are reports usually produced by information systems.

40

MS CAHILL: So the audit doesn't condescend to the granular level of auditing individual entries?

MR CONNOLLY: No, it doesn't. Generally we would do that for a period, be it a day or a month and verifying the figures for that period.

45

MS CAHILL: So the purpose of auditing the books of account you say is for revenue and tax. That is in order --- the objective of that is to ensure that Perth

Casino is paying the state and GWC all of the licence fees and tax that it should be paying.

5 MR CONNOLLY: Not licence fees. The licence fees are something different. But, yes, all of the tax and the levies they are required to pay.

MS CAHILL: Do you ever audit the payment of licence fees?

10 MR CONNOLLY: We calculate the licence fee and invoice for the licence fee. We don't audit it. We calculate it, provide Crown with an invoice and they pay it. We send them a bill.

MS CAHILL: Understood.

15

Now, are audits ever conducted for the purpose of detecting signs of possible or potential money laundering?

MR CONNOLLY: No.

20

MS CAHILL: Have they ever been?

MR CONNOLLY: Not to my knowledge.

25 MS CAHILL: Have audits ever been conducted for the purpose of detecting criminal activity of any other kind?

MR CONNOLLY: No, not to my knowledge.

30 MS CAHILL: Are audits only conducted on the premises of Perth Casino or can they also be conducted offsite?

MR CONNOLLY: If the documents are available to us, they can be conducted offsite. I can't think of an example.

35

MS CAHILL: You anticipated my question. Can you think of an example of an offsite audit?

MR CONNOLLY: No.

40

MS CAHILL: All right.

Coming back to inspections, are they ever conducted randomly?

45 MR CONNOLLY: Yes. Randomly in the casino licensee not knowing about them?

MS CAHILL: Well, two parts to my question. First of all, randomly in the sense that they are not a regular, programmed inspection?

10:20AM

MR CONNOLLY: Yes.

5 MS CAHILL: And what is the basis upon which you decide whether or not to hold a random inspection?

10 MR CONNOLLY: So this would probably come back to other issues but I --- my view now is that they are conducted more randomly than programmed because of other priorities and other functions and tasks that inspectors and others undertake. They are probably more random than programmed now.

15 MS CAHILL: Right. Do you mean by that that because casino inspectors have to do work in other regulatory areas they can't commit their resources to a regular program of inspections?

MR CONNOLLY: Yes, I think that is correct, yes.

MS CAHILL: Are those inspections ever conducted without notice to Perth Casino?

20 MR CONNOLLY: More often than not.

MS CAHILL: What about audits?

25 MR CONNOLLY: More often than not.

MS CAHILL: Without notice?

MR CONNOLLY: Yes.

30 MS CAHILL: And also randomly?

MR CONNOLLY: Yes.

35 MS CAHILL: And predominantly randomly these days?

MR CONNOLLY: Yes, I think so.

MS CAHILL: And that is a question of resources that dictates that?

40 MR CONNOLLY: Yes.

MS CAHILL: Thank you.

45 Are there any other functions or duties casino inspectors carry out these days besides audits and inspections?

MR CONNOLLY: I think they would be infrequent but from time to time they

would also investigate what I would call minor breaches of legislation, cheating type offences or re-entry of barred persons into the casino. We can deal with those matters by infringement notice if they are there.

5

MS CAHILL: Do they have a proactive role in investigating such minor breaches or do they wait until Perth Casino brings it to their attention.

MR CONNOLLY: The latter. They wait until it is brought to their attention.

10

MS CAHILL: Who do casino inspectors report to within GWC or the department?

MR CONNOLLY: Within the department they report to a senior inspector and then to a director.

15

MS CAHILL: Do they report directly to anyone at GWC?

MR CONNOLLY: No.

20

MS CAHILL: And the person to whom the casino inspectors report, the senior inspector. Does that person, the senior inspector, oversee the casino inspectors work on a regular basis to make sure it has been undertaken properly?

MR CONNOLLY: Yes.

25

MS CAHILL: And does that person give the casino inspectors directions as to how they perform their work?

30

MR CONNOLLY: That person allocates the work. I don't know if they give directions on how to perform it, I don't think so. I think that work is allocated and then he would review the outcomes of those.

MS CAHILL: So are there some procedures or policies in writing telling the casino inspectors exactly what they have to do?

35

MR CONNOLLY: The audit programs are quite descriptive and prescriptive. They tell casino inspectors what they have to do. They also have contained preamble that is available to the inspectors to read and understand how it fits into a broader context. I'm not aware of any specific policies that tell them how to do that.

40

MS CAHILL: But there is an audit program in writing?

MR CONNOLLY: Yes.

45

MS CAHILL: And that is what the inspectors follow?

MR CONNOLLY: Yes.

MS CAHILL: What do they follow in relation to the inspections? Is there an equivalent inspections program?

5 MR CONNOLLY: Yes, there is.

MS CAHILL: And in writing?

MR CONNOLLY: In writing.

10

MS CAHILL: And these are department documents?

MR CONNOLLY: Yes, they are.

15 MS CAHILL: Are they GWC documents?

MR CONNOLLY: No I wouldn't call them GWC documents.

MS CAHILL: Why not?

20

MR CONNOLLY: Because they are developed by the department, used by the department and generally the GWC wouldn't see those nor do they approve those.

MS CAHILL: I asked you before whether the senior inspector gives the casino inspectors any directions about their work and you answered no and went on to explain. Does the Chief Casino Officer give the casino inspectors directions about their work?

25

MR CONNOLLY: No.

30

MS CAHILL: Anybody else?

MR CONNOLLY: From time to time they may be. I know that from time to time I have asked for revenue audits to be completed but not as the Chief Casino Officer, I don't think, as a Deputy Director-General but, no.

35

MS CAHILL: You say you don't think?

MR CONNOLLY: That's not part of the role as the Chief Casino Officer as I understand it.

40

MS CAHILL: We'll come back to that. You mentioned at paragraph 17 of your witness statement that casino inspectors carry out activities in other regulatory areas beside casino regulation. Since when has that occurred?

45

MR CONNOLLY: I think that was certainly it started before 2015 but I think around 2015 was probably the time when that really kicked off. It coincided with the time when there was no longer a permanent presence of inspectors at the casino.

MS CAHILL: Is it your view that that situation has been exacerbated by the machinery of government changes such that they are stretched across diverse areas even more than they were in 2015?

5

MR CONNOLLY: No, probably not. Prior to machinery of government changes casino inspectors had become more generalist in general inspectors. They were doing work in liquor and community gaming and across wagering. That I don't believe has changed significantly since machinery of government. They are still doing that.

10

MS CAHILL: Let me ask you this question: that move from being dedicated casino inspectors to being more general regulatory inspectors, if we can put it that way, in your view does that leave those inspectors enough time to do all the work they need to do as casino inspectors?

15

MR CONNOLLY: Yes, it does.

MS CAHILL: Thank you. Paragraph 18 of your witness statement you mention that you were appointed a senior regulatory officer in May 2002.

20

MR CONNOLLY: Yes, correct.

MS CAHILL: And that is obviously a departmental appointment?

25

MR CONNOLLY: It is.

MS CAHILL: You moved from casino inspector to senior regulatory officer which looks on the face of it how you've described it in your witness statement as a significant promotion in terms of the number of levels, public sector levels, such as they are that you moved through at that time?

30

MR CONNOLLY: It was a 3 to a 6.

MS CAHILL: Is that regarded in Public Service terms as a significant promotion?

35

MR CONNOLLY: Honestly, I don't know.

MS CAHILL: You stayed in that position for almost three years until March 2005 yes?

40

MR CONNOLLY: Yes.

MS CAHILL: And I gather from paragraph 19 of your witness statement that you had a team of three to four other regulatory officers who reported to you?

45

MR CONNOLLY: That's correct.

MS CAHILL: Is there still a regulatory team like that in the department today?

MR CONNOLLY: No, there's not.

5

MS CAHILL: Is there a substitute?

MR CONNOLLY: No, there is not. Part of the regulatory team functions have been taken elsewhere into policy and legislation area but there is no substitute.

10

MS CAHILL: All right. Just in terms of your responsibilities as a senior regulatory officer, if we can just pull up paragraph 21, please, page 0004. Yes, it is on two pages. Is that large enough for you to see it on the screen?

15

MR CONNOLLY: I can see it.

MS CAHILL: Excellent. Just at the bottom of page 004 --- thank you, isn't that clever. There we go. You describe over on to the next page in sub-paragraphs what you were responsible for and I wanted to ask you in particular about paragraph (d) "managing risks at activity level". Before we go to what you were talking about in relation to activity level, which you subsequently go on to explain in your statement, can I ask you what "risks" you are referring to there?

20

MR CONNOLLY: So, with games, table or electronic, security surveillance activities, when we are developing those control frameworks and determining what we would like to have in the policies and procedures manual we look at the risks of non-compliance, the things that can go wrong in those particular activities. That's what I'm referring to when I talk about the activity level. So that would be an assessment of a particular activity, what can go wrong, what can we do to mitigate the risks of that happening and build those into the control framework.

25

30

MS CAHILL: But the "going wrong" is essentially non-compliance with the casino manual in some respect?

35

MR CONNOLLY: These are probably before they get to the casino manual. These are what do we need to put in the casino manual to mitigate what we see as the risks there at this activity.

40

MS CAHILL: All right. What is the type of thing that could, to use you're words "go wrong", that you are trying to mitigate?

MR CONNOLLY: I guess in a table game context, cards for example, minor things, cards not being shuffled randomly, being dealt incorrectly, someone not having appropriate training, those sorts of things.

45

MS CAHILL: I see. Let's go to paragraph 22 and we might be able to get a bit of a -- allow you to elaborate on that a little further. So you had said at 21 that you were



managing risks at activity level and then at 22 you kindly go on to explain what actively level is, what you mean by that ---

5 MR CONNOLLY: Yes.

MS CAHILL: --- at 21. Describing individual activities at the casino which include the activity of security. So, using that language of what could go wrong, what could go wrong that had to be managed in the activity of security?

10

MR CONNOLLY: Again, with people, training, knowledge, experience, making sure that as part of our control framework that all of those things were covered and we are certification that we had the right people, that they were suitable in terms of probity and experience. Other things that could go wrong for security, they transfer and move assets from different places in the casino, ensuring those procedures were in place for that and that there was surveillance coverage for those sorts of things, minimising the risks of a loss of those assets.

15

MS CAHILL: Can you give me an example of an asset you are referring to there?

20

MR CONNOLLY: Chips would be an asset. Security officers would move gaming chips from gaming tables to main cage to chip banks, to and from.

MS CAHILL: Thank you.

25

Let's go to (b). What sorts of things could go wrong in relation to the activities of surveillance that you wanted to mitigate?

MR CONNOLLY: Manual procedures would be something we were making sure was available. What happens if the surveillance system doesn't operate, how do we deal with that. Again making sure we have appropriate people with knowledge, skills and experience sitting in the chairs watching those games.

30

MS CAHILL: So it's surveillance of the table games you are referring to?

35

MR CONNOLLY: Of the table games and the conduct of related activities such as, again surveillance would not just watch table games but also watch security and other things, like chip bank.

40

MS CAHILL: I see so in the example you gave under the heading of "security activity", proper surveillance of the movement of chips from one area of the casino to the other?

MR CONNOLLY: Yes.

45

MS CAHILL: Understood.

Now the risks in (c), the risks associated with the activity of the main cage, what

could go wrong there?

5 MR CONNOLLY: So, again, I probably come back primarily to people, knowledge, skills and experience. We have had instances where things have been stolen from the cage. So procedures such as clearing of hands, showing cameras that hands are cleared, making --- having processes in place to ensure that what happens in the cage is auditable and transparent and we can review those if we need to.

10 MS CAHILL: Just for those listening, can you explain what the cage is and what its purpose is?

15 MR CONNOLLY: Sure. The cage is essentially the casino bank. For want of a better explanation, it takes in cash from players and hands them chips. It also ensures that tables are stocked with chips. So there is movement of chips backwards and forwards from the tables.

20 MS CAHILL: Just to be clear, what is it that you are watching in the cage? What is the concern to you?

25 MR CONNOLLY: The chips are of concern to us, as is the movement of cash because all of that cash that is counted, that is dropped at casino tables goes into account process and comes back into the cage. So it is actually all the money that is transacted through the casino.

MS CAHILL: But are you interested in it from a taxation and revenue perspective or from some other perspective?

30 MR CONNOLLY: From --- primarily from taxation and revenue because the movement of chips is used in the calculation of revenue. But from every other perspective ---

MS CAHILL: What are the other perspectives?

35 MR CONNOLLY: From a security, trying to limit the opportunities for cash and chips to go missing.

MS CAHILL: Why is that a problem?

40 MR CONNOLLY: Again, because if they are going missing from within the cage we have people in there that we don't want to be involved in that if they are going to steal something. Again it comes back to revenue and tax. All of those things impact on revenue and tax.

45 MS CAHILL: Now, last one is table games and electronic games. You may have already to an extent answered this but if we can just finish off that series of questions, what could go wrong in relation to the activity of table games or the activities of table games and electronic games that you wanted to raise?

MR CONNOLLY: Table games again, procedures around ensuring the integrity and auditability of that game. So it is about people, how the game is played, it is ensuring that it is I use the word fair but is played in accordance with the rules. How  
5 a game is played and conducted as transparent to customers. Electronic games is again it is pretty much the same sorts of principles but instead of having a person we have a chip that operates the game. So we limit and control access to gaming machines and who gets access to those, to the chips and software for machines.

10 MS CAHILL: Now ---

COMMISSIONER OWEN: Sorry, the chip you are referring to there is a computer chip?

15 MR CONNOLLY: It is a computer chip.

COMMISSIONER OWEN: As opposed to a gambling chip?

MR CONNOLLY: That's correct.  
20

MS CAHILL: Now, in all of these activities here at 22, at the activity level you are not managing the risk of possible or potential money laundering occurring at or being facilitated by Perth Casino?

25 MR CONNOLLY: No, we are not.

MS CAHILL: And you are not managing the risk of possible or potential criminal activity of any other kind occurring at or being facilitated by the Perth Casino?

30 MR CONNOLLY: No, we are not.

MS CAHILL: And just so that I can be clear, if we go back to 21, please. Thank you. In terms of (a) --- sorry, (a) through to (c) "maintaining and developing the audit and regulatory plans ....." Et cetera as you read from (a) through to (c), would  
35 all the risks that we've just been talking about managed primarily through the implementation of inspection and audit programs?

MR CONNOLLY: Yes, they were.

40 MS CAHILL: And if we can put 21 back into the document, please. (b), you say "reporting on matters including revenue, taxation and progress against key performance indicators"; do you see that there?

MR CONNOLLY: Yes.  
45

MS CAHILL: Can I understand whose performance was being measured by the KPI?

10:38AM

MR CONNOLLY: They were Gaming and Wagering Commission KPIs. So I guess technically the Gaming and Wagering Commission's performance was being measured for those KPIs although the work was being conducted by departmental officers.

MS CAHILL: And performance as to what?

MR CONNOLLY: In terms of numbers of audits and inspections that needed to be carried out.

MS CAHILL: I see.

Who did you report to in your position as senior regulatory officer?

MR CONNOLLY: I think the director of operations at the time.

MS CAHILL: And who did they report to?

MR CONNOLLY: Director-General.

MS CAHILL: And did the director of operations oversee and supervise your work?

MR CONNOLLY: Yes.

MS CAHILL: Did you have any responsibility in your role as senior regulatory officer to supervise the work of casino inspectors?

MR CONNOLLY: No.

MS CAHILL: In your role as senior regulatory officer, was it ever explained to you what the overall regulatory purpose or purposes of the GWC were?

MR CONNOLLY: No.

MS CAHILL: When you were involved in this role as senior regulatory officer, did you have as part of your duties a role in developing policy for GWC?

MR CONNOLLY: Not that I recall, no.

MS CAHILL: Or policy for the department in relation to casino regulation?

MR CONNOLLY: Not that I recall. It was about the development of audit and inspection programs.

MS CAHILL: Paragraph 24 of your witness statement you tell us about your promotion to the position of manager of inspections or have I assumed too much.

10:40AM

Was that a promotion?

MR CONNOLLY: It was a promotion, yes.

5

MS CAHILL: You held that role between 2005 and 2007?

MR CONNOLLY: Yes.

10 MS CAHILL: Looking at paragraph 27, you say that in about 2005 you took on additional responsibilities and your role changed, but at 24 you say that you actually commenced this role in about 2005. Can you put 27 back so Mr Connolly can see 24 and 27 together. You say from 30 March 2005, at 24, I was employed as a manager of inspections. And then at 27 you say in about 2005 you took on additional  
15 responsibilities and your role changed.

MR CONNOLLY: I think I'm referring to additional responsibilities in terms of things other than just casino related things. So community gaming and liquor.

20 MS CAHILL: I see.

MR CONNOLLY: It was around about that time when those functions were largely amalgamated.

25 MS CAHILL: Does that then marry with what you've said at paragraph 32, the ultimate affect of the change was I went from spending all of my time on casino related matters to approximately 30 per cent of my time on casino related matters?

MR CONNOLLY: Yes.

30

MS CAHILL: I understand. Thank you.

Was it the case that from the time you joined the department in 1990 actually full-time on board through to 2005 you had been exclusively dedicated to casino  
35 legislation?

MR CONNOLLY: That's how I recall.

40

MS CAHILL: That was 2005 ---

MR CONNOLLY: Or thereabouts.

MS CAHILL: Was that because of department amalgamations?

45 MR CONNOLLY: I think that was what that was for. I don't recall exactly why but it was at the time when all of the functions were amalgamated.

MS CAHILL: So that broadening of regulatory role for you, was that mirrored for

everybody else previously involved in casino regulation?

MR CONNOLLY: Yes.

5

MS CAHILL: At the same time?

MR CONNOLLY: Yes. It did start earlier for some, some trialed it, but ultimately for everyone.

10

MS CAHILL: Paragraph 26 of your witness statement. We can pull that out, please. You describe what you were responsible for as manager of inspections. Can you just explain to me in very simple terms, how that differed from your previous role as senior regulatory officer?

15

MR CONNOLLY: So as senior regulatory officer, primarily I was responsible for the development and maintenance of audit programs and understanding and actioning any outcomes for those audit and inspection programs. As a manager of inspections I became responsible for inspectors and allocating --- ultimately allocating the work that they did.

20

MS CAHILL: So you oversaw the work of the casino inspectors in this role whereas previously you hadn't.

25 MR CONNOLLY: Yes, I did.

MS CAHILL: And previously you reported to the director of operations. Who did you report to in this role?

30 MR CONNOLLY: It was the director. I'm just unclear of what the title was, whether it was operations or compliance.

MS CAHILL: Not Director-General or deputy Director-General?

35 MR CONNOLLY: No.

MS CAHILL: A director ---

MR CONNOLLY: A director.

40

MS CAHILL: Is a director one level under a deputy director?

MR CONNOLLY: In those days of racing, gaming and liquor there was no Deputy Director-General. There was a Director-General and directors.

45

MS CAHILL: So they were one below Director-General. I understand.

Paragraph 33 of your witness statement you then move to the position of director of

compliance from 2007 to 2010. Was that another promotion for you?

MR CONNOLLY: Yes, it was.

5

MS CAHILL: And was that again across a range of regulatory areas or was it now back limited to casino?

MR CONNOLLY: No, it was a range of regulatory areas.

10

MS CAHILL: At paragraph 35 you explain the change of roles due to a corporate restructure and then you go on to explain the key differences between that role and your previous role. And one you mentioned is a greater delegation of power, from whom, Mr Connolly?

15

MR CONNOLLY: Gaming and Wagering Commission, I believe.

MS CAHILL: In relation to which powers?

20

MR CONNOLLY: In relation to the powers to approve and to deal with matters that the Gaming and Wagering Commission would normally undertake themselves.

MS CAHILL: You also talk about in (b) the development of policy. What kind of policies are you referring to there?

25

MR CONNOLLY: So I'm talking about the development of policy that subsequently would be approved by the Gaming and Wagering Commission in relation to things such as community gaming operations, the conduct of poker events, bingo, those sorts of things. A policy to guide external stakeholders in how to conduct things.

30

MS CAHILL: In that role did anyone ever explain to you the overall regulatory purpose or purposes of the GWC?

MR CONNOLLY: No.

35

MS CAHILL: And did you have a role in developing any policy that reflected the overall regulatory purpose or purposes of the GWC?

MR CONNOLLY: No, I don't believe so.

40

MS CAHILL: You mention in (b) also that you attended GWC meetings as an adviser.

MR CONNOLLY: Yep.

45

MS CAHILL: Adviser in relation to what?

MR CONNOLLY: In relation to specific agenda items that were being considered

by the GWC.

5 MS CAHILL: What was the nature of those agenda items upon which you typically advised?

10 MR CONNOLLY: Casino related matters that might be in relation to changes to table games, a new table game, changes to security policies and procedures, any manner of submission really from the casino I could be asked to attend and advise.

MS CAHILL: Were you the only departmental officer attending to advise the GWC at those meetings or were there others?

15 MR CONNOLLY: No I think others attended. I don't have a specific recollection of who and when. But I think others attended and certainly the Director-General was there as the chairman as well.

20 MS CAHILL: Other departmental officers who attended, did they have an advisory role such as you had?

MR CONNOLLY: If departmental officers were going, typically they were going to provide advice on a specific paper, yes.

25 MS CAHILL: So in terms of looking at it from a point of view of a number of, more than one departmental officer attending GWC meetings to give advice, can you explain what the limits of your advisory function were compared to others? Who would advise typically in relation to what?

30 MR CONNOLLY: Well, when I was going to those meetings, I was there to advise on a specific matter. Now sometimes that would involve me being called in to talk about that matter and then leaving. Other times I would stay there for the duration of the meeting. But that would be controlled by the chairman.

35 MS CAHILL: Right. But the sorts of matters you advised on and the sorts of matters other people within the department advised on, what was the demarcation?

MR CONNOLLY: Compliance, new submissions, licensing. So the demarcation would be licensing and compliance issues.

40 MS CAHILL: What was your area?

MR CONNOLLY: Compliance.

45 MS CAHILL: And not licensing?

MR CONNOLLY: Not licensing at the time.

MS CAHILL: And not what else?



10:47AM

MR CONNOLLY: Probably not much else. Probably licensing.

MS CAHILL: To whom did you report in this role of director of compliance?

5

MR CONNOLLY: Director-General.

MS CAHILL: Who reported to you? Who were your direct reports?

10 MR CONNOLLY: In that position there would have been a senior inspector and a manager of inspections, I think. I think that's what they would have been.

MS CAHILL: Can we move to 7 May 2007. That's the first time you were appointed the Chief Casino Officer. You say that at paragraph 36.

15

MR CONNOLLY: Yes.

MS CAHILL: And just to be clear, when you were first appointed in 2007 you did not at that time hold the position of deputy Director-General of the department did you?

20

MR CONNOLLY: No.

MS CAHILL: Who appointed you to the position of Chief Casino Officer?

25

MR CONNOLLY: I don't recall.

MS CAHILL: Do you remember getting any formal document of appointment?

30 MR CONNOLLY: No, I would have got a letter of appointment I think but I don't remember.

MS CAHILL: Or who it was from?

35 MR CONNOLLY: Or who it was from.

MS CAHILL: I understand. You held that position of Chief Casino Officer on the first occasion until 2010 when you went and did a job at the fisheries department.

40 MR CONNOLLY: That's right.

MS CAHILL: Did you formally relinquish the role of Chief Casino Officer at that time?

45 MR CONNOLLY: I don't recall there was a process for formally relinquishing. I stopped becoming an authorised officer. That authorisation as I understand it was revoked and I think that had the effect of relinquishing that position as well.

MS CAHILL: Do you recall whether the person who stepped into the role of Chief Casino Officer did so on a permanent or temporary basis?

5 MR CONNOLLY: I don't know.

MS CAHILL: Was it envisaged you would come back to the role of Chief Casino Officer when you went to fisheries?

10 MR CONNOLLY: When I went to fisheries, yes, I think it was. It was a secondment for a specified period of time.

MS CAHILL: How long?

15 MR CONNOLLY: I believe it was six months.

MS CAHILL: It went on a bit longer than that.

MR CONNOLLY: A bit longer than that.

20

MS CAHILL: You returned to the department in 2012.

MR CONNOLLY: That's correct.

25 MS CAHILL: You were then appointed to the position of Deputy Director-General?

MR CONNOLLY: That's right.

MS CAHILL: On 3 July 2012 you were appointed again as Chief Casino Officer?

30

MR CONNOLLY: That's correct.

MS CAHILL: Can we just pull up this document, GWC.0001.0007.0182. Unsigned. But that looks like the appointment ---

35

MR CONNOLLY: It does.

MS CAHILL: --- that was made. Is there any other document of appointment of you as Chief Casino Officer, whether at this time or any time subsequently that you are aware of where the appointor was GWC rather than the Director-General of the department?

40

MR CONNOLLY: No.

45 MS CAHILL: Or any document of appointment of you as Chief Casino Officer by the Director-General but in his capacity as chairman of GWC?

10:50AM

MR CONNOLLY: No, not that I'm aware of.

5 MS CAHILL: I'm not sure if that document has already been tendered, Mr Commissioner, but if not, I will tender that document if not.

10 COMMISSIONER OWEN: The document, which is the appointment of Chief Casino Officer bearing the document identifier GWC.0001.0007.0182 is admitted into evidence as an exhibit.

**EXHIBIT #GWC.0001.0007.0182 - APPOINTMENT OF CHIEF CASINO OFFICER**

15 MS CAHILL: Thank you, Commissioner.

20 Now, at the commencement of either of your appointments as Chief Casino Officer, 2007 or 2012, did anybody outline to you what your duties were as a Chief Casino Officer?

MR CONNOLLY: No.

25 MS CAHILL: Were you given any statement of duties or responsibilities?

MR CONNOLLY: As Chief Casino Officer?

MS CAHILL: Yes.

30 MR CONNOLLY: No.

MS CAHILL: You were appointed by the minister, the responsible minister as the deputy chairperson of GWC on 18 July 2000?

35 MR CONNOLLY: Yes.

MS CAHILL: Do you recall that?

40 MR CONNOLLY: Yes.

MS CAHILL: Call up PUB.0005.0001.0001, which is The Government Gazette for 24 July 2012. If we go to page 0014, right down the bottom there where it says "Gaming and Wagering Commission Act" thank you. That is the gazettal of your appointment as the deputy chairperson of the GWC.

45 MR CONNOLLY: Yes.

MS CAHILL: Do you know if that appointment has been revoked?

10:52AM

MR CONNOLLY: No, I don't.

MS CAHILL: I tender The Government Gazette, Mr Commissioner.

5

COMMISSIONER OWEN: The Government Gazette with the notation of 18 July 2012, with the document identifier PUB.0005.0001.0001 is admitted into evidence as an exhibit.

10

**EXHIBIT #PUB.0005.0001.0001 – GOVERNMENT GAZETTE DATED 18 JULY 2012**

15 MS CAHILL: Thank you, Commissioner.

Now, I'm giving you a forewarning, Mr Connolly, I'm about to ask you some questions about instruments of delegation that are relevant to the role that you had. I want to be clear that I'm not sure I have the full suite of instruments so I might be showing you one that has been superseded or been revoked or you are aware of one that I'm not aware of. So I want you to understand the questions I'm putting to you with that caveat.

20

MR CONNOLLY: Okay.

25

MS CAHILL: Do you understand what I'm putting to you?

MR CONNOLLY: I think so.

30 MS CAHILL: We call up GWC.0001.0007.0175. If we could just zoom in please so it is a little clearer. Thank you. Now, this is an instrument of delegation. We'll go down to who has signed it in a moment, but it is a delegation to the chairman of the GWC with effect from 18 December 2012, relevantly for our purposes all of the Commission's powers under the Casino Control Act, other than the power of delegation itself. If you go down to the bottom of the document, please, you will see that it is signed by the chairman and various presumably members of the GWC. My question is this: were you made aware of that instrument of delegation to the chairman on or about the date it was executed?

35

40 MR CONNOLLY: That is my signature at the top.

MS CAHILL: At the --- oh, I see.

MR CONNOLLY: As the deputy chairman.

45

MS CAHILL: I tender that document, Commissioner.

COMMISSIONER OWEN: The document which is delegation of powers, with the

document identifier GWC.0001.0007.0175 is admitted into evidence as an exhibit.

5 **EXHIBIT #GWC.0001.0007.0175 - DELEGATION OF POWERS**

MS CAHILL: And you may or may not know the answer to this question, this is my  
10 knowledge deficit displayed to its fullest: do you know if that delegation has been  
revoked, substituted or whether it remains in force?

MR CONNOLLY: I don't, sorry.

MS CAHILL: Call up GWC.0001.0007.0183. Same date. Delegation to deputy  
15 chairman, or say chairperson in similar terms, if not the same terms and were you  
holding that position at that time. Were you made aware of this instrument of  
delegation on or about the date that it was prepared?

MR CONNOLLY: Again, I was at the meeting obviously and I signed that, so yes.  
20

MS CAHILL: You signed it?

MR CONNOLLY: Yes. I signed that one as well.

MS CAHILL: Can we go down the document, please. I see. You've signed an  
25 instrument of delegation of powers to you?

MR CONNOLLY: Along with every other member, yes.

MS CAHILL: Not the chairperson?  
30

MR CONNOLLY: Obviously I would suggest to you that the chairperson wasn't at  
that meeting. I don't recall it but .....

MS CAHILL: Did you think it was appropriate to sign your own instrument of  
35 delegation?

MR CONNOLLY: I don't recall what I was thinking at that meeting but with all of  
40 the other signatures there I probably would have thought that was okay.

MS CAHILL: Just reflecting now?

MR CONNOLLY: It seems odd.

MS CAHILL: Why does it seem odd to you?  
45

MR CONNOLLY: Because it is a delegation to myself.

10:56AM

MS CAHILL: I tender that document, Commissioner.

5 COMMISSIONER OWEN: The delegation of powers dated 18 December 2012 bearing the document identifier GWC.0001.0007.0183 is admitted into evidence as an exhibit.

10 **EXHIBIT #GWC.0001.0007.0183 - DELEGATION OF POWERS DATED 18 DECEMBER 2012**

MS CAHILL: Thank you, Commissioner.

15 Just on that instrument of delegation that is on the screen again, have you any recollection or knowledge as to whether that instrument has been revoked or substituted?

20 MR CONNOLLY: I don't know if it has been revoked or substituted but there is another delegation to myself as the Deputy Director-General with the same powers.

MS CAHILL: We'll come to that. But I'm just interested in the delegation in your capacity as deputy chairman.

25 MR CONNOLLY: No. No, I don't know.

MS CAHILL: If we skip quickly back to your witness statement at paragraph 78 at page 0010. We've looked at your delegation as deputy chairperson and you are talking about something else here ---

30 MR CONNOLLY: Yes.

35 MS CAHILL: --- but I'm not interested in that context. But I am interested in your statement that all of the powers of the GWC have been delegated to the Chief Casino Officer and the Deputy Director-General save for the power of delegation itself. That is how you recall it?

MR CONNOLLY: That's how I recall it, yes.

40 MS CAHILL: All right. If we go to GWC.0001.0007.0184. This is a delegation of all of the powers under relevantly the Casino Control Act to the holder of the position of Deputy Director-General, which at 28 April 2020 was you.

45 MR CONNOLLY: That's correct.

MS CAHILL: Can you tell me if you know whether you had any such general delegation before April 2020?

10:59AM

MR CONNOLLY: I don't recall, sorry.

5 MS CAHILL: And if we just --- I'm being facetious. Do you have your fingerprints on that one?

MR CONNOLLY: No, sorry.

10 MS CAHILL: All good.

Now, can you tell me if you know what the purpose was of GWC delegating its powers under the Casino Control Act to you generally other than the power of delegation itself, in your capacity as Deputy Director-General?

15 MR CONNOLLY: The purpose of that?

MS CAHILL: Yes.

20 MR CONNOLLY: The Gaming and Wagering Commission only meets monthly so there are matters that need to be dealt with in between meetings. So that delegation of power gave me the ability to deal with those on behalf of the Gaming and Wagering Commission.

25 MS CAHILL: But why to you in your position as Deputy Director-General? Sorry, I will finish the question for the transcript. I understand you thought I'd finished. That's fine.

MR CONNOLLY: Sorry.

30 MS CAHILL: Why not in your position as Deputy Chairperson of GWC or in your position as Chief Casino Officer? So that is the focus of my question: why as Deputy Director-General?

35 MR CONNOLLY: I don't know.

MS CAHILL: I tender that document, Commissioner.

40 COMMISSIONER OWEN: The document which is a delegation of powers dated 28 April 2020 and bearing the document identifier GWC.0001.0007.0184 is admitted into evidence as an exhibit.

45 **EXHIBIT #GWC.0001.0007.0184 - DELEGATION OF POWERS DATED 28 APRIL 2020**

MS CAHILL: Thank you, Commissioner.

Now, in relation to the delegation to the Chief Casino Officer, and Mr Ord attached an instrument of delegation relevant to that to his witness statement for the purposes of him giving evidence. I ask that that be called up now. GWC.0001.0007.0176.

5 This replaces, as it says in the blue print at the top, an instrument of delegation that was dated 16 December 2014. I will come back to the content of the delegation in a minute, but if we can just go down to the bottom and see the date. It is dated June 2017. So my first question is; to your knowledge is that the latest instrument of delegation to the holder --- to the holder of the Chief Casino Officer?

10

MR CONNOLLY: I don't know.

MS CAHILL: Thank you.

15 Let's go back up and look at the body of the delegation. I beg your pardon, before we leave the execution clause, have you signed that or not?

MR CONNOLLY: Have I? No.

20 MS CAHILL: Then we go up to the body of the delegation. You will see that quite differently from the other two delegation instruments that I showed you, the holder of the Deputy Director-General and the holder of the Deputy Chairperson position, this isn't a general delegation of powers under the Casino Control Act, but rather specific ones. You see that?

25

MR CONNOLLY: Yes.

MS CAHILL: Can you explain, if you know, the purpose of giving the Chief Casino Officer a more limited delegation than the Deputy Chairperson or the Director-General, I will finish the question, recognising that at the time practically that was all the one person?

30

MR CONNOLLY: No. You are correct, it was the one person, it was me.

35 MS CAHILL: Yes.

MR CONNOLLY: So I don't see the purpose of this.

MS CAHILL: I tender that instrument of delegation, Commissioner.

40

COMMISSIONER OWEN: The delegation of powers dated 27 June 2017 bearing the identifier GWC.0001.0007.0176 is admitted into evidence as an exhibit.

45 **EXHIBIT #GWC.0001.0007.0176 - DELEGATION OF POWERS DATED 27 JUNE 2017**



MS CAHILL: Thank you, Commissioner.

5 Now, we've seen instruments of delegation and when we look at your role that you had from the time of your appointment as Deputy Director-General back in 2012, that proceeds until some time early in 2021, doesn't it?

MR CONNOLLY: That's correct.

10 MS CAHILL: We'll come back later to that issue about you no longer being the Chief Casino Officer. But it is clear that you held three roles, Deputy Chairperson of GWC, Deputy Director-General of the department and casino --- Chief Casino Officer and you held them all simultaneously?

15 MR CONNOLLY: Correct.

MS CAHILL: When you were involved, if I can use this generic expression in "casino regulation" in WA, did you distinguish in your own mind between the separate roles of a Deputy Director-General being involved in casino regulation, 20 Deputy Chairperson being involved in casino regulation and Chief Casino Officer?

MR CONNOLLY: Yes, I think I did. So Deputy Chairperson for me is a role that is really only an active role when the chairperson is not available to attend Gaming and Wagering Commission meetings. So I didn't --- I don't see that I was acting in that 25 position at any other time. And ---

MS CAHILL: Sorry, I'm not --- I don't want you to think later I'm trying to trip you up. I want you to clarify something about that answer while it comes to mind. I think it is paragraph 84 of your witness statement, if we could have a quick look at that. 30 Page 0049. Maybe to move things along, Mr Connolly, I might ask you to defer your answer to that question until I can show you another passage of your evidence so that you can answer it having regard to what you said previously.

35 So you were talking about your role as Deputy Chairperson. Let's put that to one side. Perhaps you can answer this question in a more limited way. Did you distinguish in your mind between your role of Deputy Director-General of the department and your role as Chief Casino Officer?

MR CONNOLLY: No, not really. Generally I act and do act as the Deputy 40 Director-General. My title is actually Deputy Director-General Regulation but in that structure.

MS CAHILL: Okay.

45 Let me ask you this: who did you report to in your role as Chief Casino Officer?

MR CONNOLLY: Gaming and Wagering Commission.

MS CAHILL: Not the Director-General?

5 MR CONNOLLY: The Director-General is the chair of the Gaming and Wagering Commission so if there was something, and I can't think of an example, but if there was something in between meetings I would talk to the Director-General about that if I was acting as the Chief Casino Officer.

10 MS CAHILL: In his capacity as chairperson or is in his capacity as Director-General of the department?

MR CONNOLLY: Capacity as chairperson. As I say, I can't think of an example of that.

15 MS CAHILL: And who did you primarily take direction from in your role as Chief Casino Officer?

20 MR CONNOLLY: I don't think I had any direction in my role as Chief Casino Officer. I don't think I was directed in any way.

MS CAHILL: In terms of the oversight of your function, as Chief Casino Officer, can we take you to paragraph 70 of your witness statement at 0009. Put that back so I can show Mr Connolly the context of what he is saying here. Paragraph 68 you begin to talk about oversight of the Chief Casino Officer and you describe you are not aware of any formal oversight. You say at 69:

30 *However, the practice I adopted was to ensure the relevant stakeholders were always aware of my activities.* You say the relevant stakeholders were GWC and the Director-General. Do you mean the Director-General in his capacity as chairperson of the GWC or the Director-General in his capacity as Director-General of the department?

35 MR CONNOLLY: No, I think in his capacity as the chairman of the GWC, the things I was dealing with as Chief Casino Officer would not have been of interest to the DG, the Director-General of the department.

40 MS CAHILL: Let's stay with the question of oversight, and go to 71, you are now looking at GWC oversight of your function as CCO. You say you attended monthly GWC meetings. Now, this was the point I wanted to take you to before. Paragraph 84 at page 0011. "Throughout my time as the DDG, I have attended the monthly GWC meetings as the Deputy Chairperson". Is that right?

45 MR CONNOLLY: No, I don't think that is correct. I did attend meetings as the Deputy Chairperson when the chairman was not there. When the chairman is there, I am not the Deputy Chairperson, I am the Deputy Director-General. That is not correct.

11:09AM

MS CAHILL: So let me understand that. If the chairperson were attending a GWC meeting, did you attend the whole of the meeting?

5 MR CONNOLLY: Yes.

MS CAHILL: But not in the capacity of Deputy Chairperson?

MR CONNOLLY: Or any formal capacity, more as an adviser.

10

MS CAHILL: But you were there for the whole meeting?

MR CONNOLLY: Yes.

15 MS CAHILL: I see.

And did you distinguish between the times where you were --- when the chairperson was absent and when he wasn't the different roles you had at the meeting or did you think your role was always the same?

20

MR CONNOLLY: No, no, I distinguished. And I think the meetings --- the minutes would reflect that as well where I was there as the Deputy Chairperson or whether I was there as the Deputy Director-General, that is what the minutes reflected as well. I understood that.

25

MS CAHILL: All right. So let me come back to that question I wanted to ask you before. What is the distinction between your role as Chief Casino Officer and your role as Deputy Chairperson of GWC?

30 MR CONNOLLY: What is the distinction?

MS CAHILL: How are those roles different if they are?

MR CONNOLLY: The Chief Casino Officer is a very limited, very limited role. For me that revolves around licensing, casino employee licensing and functions within the Department. As a Deputy Chairperson, I am stepping in and filling in for the Chairperson when he's not available.

35

MS CAHILL: Is that all your role as Deputy Chairperson was?

40

MR CONNOLLY: In meetings? To attend ---

MS CAHILL: Generally. I'm asking about ---

45 MR CONNOLLY: That's how I understood my role, yes.

MS CAHILL: But you did have this general delegation in your capacity as Deputy Chairperson all of the powers of the Casino Control Act that the GWC had except the

power of delegation itself.

5 MR CONNOLLY: I also had that in my capacity as a Deputy Director-General and that's how I understood I was exercising it.

10 MS CAHILL: That was my next question. How did you distinguish your role as Deputy Chairperson and your role as Deputy Director-General of the department involved in casino regulation?

MR CONNOLLY: My distinction is in my mind as the Deputy Chairperson that is only a role that is for want of a better word, active, when the chairman isn't at the Gaming and Wagering Commission. I step in for the chairman.

15 MS CAHILL: What about the role as Deputy Director-General of the department involved in casino regulation?

20 MR CONNOLLY: It is Deputy Director-General Regulation. So I'm not really the Deputy Director-General of the department. I'm not involved in other areas of the department, sport and rec, culture of the arts and those sorts of things. I'm Deputy Director-General Regulation and my role is with the regulatory services division.

25 MS CAHILL: What I'm particularly interested to understand is about your role in respect of casino regulation specifically. I know I'm being a little bit repetitive but I'm trying to get some clarity here. You have that deputy chair role in GWC ---

MR CONNOLLY: Yes.

30 MS CAHILL: --- you have the Chief Casino Officer role you just described ---

MR CONNOLLY: Yes.

35 MS CAHILL: --- the Deputy Chairperson is going to the meetings in the absence of the chairperson, so what was the role you had as Deputy Director-General in relation to casino regulation specifically?

40 MR CONNOLLY: Ultimately I'm responsible for all of those regulatory functions, for ensuring that audits and inspections are done for the achievement of KPIs, for all of those functions as Deputy Director-General of regulation.

MS CAHILL: Who did you report to in your capacity as Deputy Director-General of the department involved in casino regulation?

45 MR CONNOLLY: Director-General.

MS CAHILL: In his capacity as chairperson of GWC or in his capacity as Director-General of the department?

11:13AM

MR CONNOLLY: In both capacities and I guess depending on the context and circumstances. You know, if there are matters around structural issues, staffing issues, budget, they would be with the Director-General of the department. Specific  
5 matters about the casino would be probably more with the chairman of the Gaming and Wagering Commission.

MS CAHILL: In your role as Deputy Director-General of the department involved in casino regulation did you ever take direction from the GWC?  
10

MR CONNOLLY: In what respect? Can I clarify that.

MS CAHILL: Telling you you had to do your job as Deputy Director-General of the Department involved in casino regulation in a certain way?  
15

MR CONNOLLY: No. They did ask me to do things from time to time, specific jobs or activities, which I did, but not in a certain way, no.

MS CAHILL: In what capacity?  
20

MR CONNOLLY: I don't know. Deputy Director-General I would assume. Deputy Director-General.

MS CAHILL: When you said you "don't know", I'm trying to understand how it is that you don't know?  
25

MR CONNOLLY: Well, I guess if I work through this in a more logical sense, it wouldn't be as the Deputy Chairperson because that's not the role for the Deputy Chairperson. CCO is a much more limited role so it would be as the Deputy  
30 Director-General Regulation with the ability to direct departmental staff.

MS CAHILL: Thank you. Mr Connolly. That is 11.15.

COMMISSIONER OWEN: Before we break, so I understand the nomenclature were you ever simply Deputy Director-General?  
35

MR CONNOLLY: I don't believe so, Commissioner. It gets shortened to Deputy Director-General but my understanding is that I am the Deputy Director-General Regulation.  
40

COMMISSIONER OWEN: And that has been the case since 2012.

MR CONNOLLY: That's correct.

45 COMMISSIONER OWEN: All right. Thank you. We will resume at 11.30.

**ADJOURNED**

**[11:16A.M.]**

**RESUMED**

**[11:33A.M.]**

5

COMMISSIONER OWEN: Please be seated. Yes, Ms Cahill.

MS CAHILL: Thank you, Commissioner.

10

If we can have Mr Connolly's witness statement up again, please, and turning to paragraph 73, which I think is at 0009. Pull out 73, thank you. There you are talking about the GWC monthly meetings as a good opportunity for you to engage with Commissioners and provide background and so forth. Which hat were you wearing when you engaged with Commissioners in the way in which you describe there in paragraph 73?

15

MR CONNOLLY: Deputy Director-General.

20

MS CAHILL: And in your capacity as Deputy Director-General, who did you owe your primary duty to when you engaged with the members of the Commission in monthly meetings?

MR CONNOLLY: I'm not sure I understand.

25

MS CAHILL: I'm just thinking of potential candidates as someone you owed a duty to, GWC or the department?

30

MR CONNOLLY: GWC at the Gaming and Wagering Commission meetings. Even acting in my capacity as Deputy Director-General I'm advising them about matters relating to the Gaming and Wagering Commission.

35

MS CAHILL: What if it was a topic, though, that touched upon resourcing such as some additional oversight of the licensee that might be required that could potentially --- that would be a good idea, that could potentially occupy a lot of resources or require some additional funding? Where did your primary duty lay, to the GWC in recommending something that would be for the benefit of overseeing the licensee in performance of the regulatory function, or to the department in making sure that resources were managed?

40

MR CONNOLLY: I don't recall that I've done something specifically like that in those circumstances, but what I would do is discuss that with the Director-General first. That would be primarily a departmental matter first and have a position.

45

MS CAHILL: And when you say "consult with the Director-General" in his capacity as the Director-General?

MR CONNOLLY: As the Director-General.

11:35AM

MS CAHILL: So you would get the department's view on things first and then consider the GWC's position?

5 MR CONNOLLY: I think so.

MS CAHILL: Just looking at these --- looking at 72 on this page, paragraph 72, you describe what happens at these monthly meetings. You say an agenda paper would be drafted to update on approvals you had granted in respect of the casino in previous  
10 months. Are they approvals granted in your capacity as CCO, Chief Casino Officer?

MR CONNOLLY: They are actually both. So as Deputy Director-General and as Chief Casino Officer, the paper would reflect any delegations I've exercised in both capacities if there were in both capacities.

15 MS CAHILL: Were there agenda papers drafted by you or by other departmental staff?

MR CONNOLLY: Other departmental staff.

20 MS CAHILL: Were they checked and approved by you before being provided to the GWC members?

MR CONNOLLY: I would not check the detail of those. They would be made  
25 available to me and I would read them ---

MS CAHILL: In what capacity, as Chief Casino Officer, Deputy Director-General or both?

30 MR CONNOLLY: As Deputy Director-General?

MS CAHILL: Not as Chief Casino Officer?

MR CONNOLLY: No.  
35

MS CAHILL: Did you ever reflect in your time attending GWC meetings when you were chairing in your capacity as Deputy Chairperson whether GWC's oversight of your role as Chief Casino Officer could be inhibited by you attending as the Deputy Chairperson?  
40

MR CONNOLLY: No, I didn't.

MS CAHILL: Can we go to 75, please, paragraph 75, which is over the page. You explain some oversight --- do I understand this correctly, in your role as Chief Casino Officer by the Director-General? Do you see that?  
45

11:38AM

MR CONNOLLY: I do.

5 MS CAHILL: And you are talking about oversight of your role as Chief Casino Officer?

MR CONNOLLY: Yes.

10 MS CAHILL: When you say "in their roles as Director-Generals" do you mean in their roles as Director-Generals of the department or in their role as Director-General in their capacity as chairperson of the GWC?

15 MR CONNOLLY: Director-General in the capacity as chairperson of the GWC. That is where I would be reporting to them as CCO.

MS CAHILL: Why do you say that?

20 MR CONNOLLY: Because the CCO doesn't have a reporting line to the Director-General.

MS CAHILL: So Director-General as Director-General of the department, what did you understand was their role if any, in casino regulation?

25 MR CONNOLLY: In supporting the Deputy Director-General Regulation in providing resourcing, facilities, ensuring the KPIs were met, doing the things that the department needed to do to support the Gaming and Wagering Commission.

MS CAHILL: Right.

30 If we go to paragraph 45 of your witness statement, which is at page 0007, you begin a discussion of the role of the Chief Casino Officer as you understand it and you describe it as an important but limited role. First of all, in what way do you mean that it was important?

35 MR CONNOLLY: It is important, as I understand the role of CCO, important in the licensing of casino employees and casino key employees. So without the CCO role those would have to be approved by the Gaming and Wagering Commission.

40 MS CAHILL: Couldn't you use your delegated powers as Deputy Chairperson?

MR CONNOLLY: No regulations require the Chief Casino Officer to do those things. The licensing of employee regulations.

45 MS CAHILL: So absent a repeal or amendment of the regulations, that is the position, the Chief Casino Officer has to do that?

MR CONNOLLY: Yes.



MS CAHILL: I understand.

In what way was the role of CCO limited?

5

MR CONNOLLY: My understanding of the role of CCO it doesn't have a great deal of powers under any of the legislation, powers to delegate, there wasn't much that there was for the CCO to delegate, to release information to other regulatory authorities and really that is where it probably ended for me. Certainly in my understanding of the CCO role, that is all that CCO position did and it primarily was around licensing of employees.

10

MS CAHILL: You had a number of delegated powers as Chief Casino Officer, didn't you?

15

MR CONNOLLY: I did.

MS CAHILL: Including delegation of the power to issue directions to the licensee under section 24 of the Casino Control Act?

20

MR CONNOLLY: I did.

MS CAHILL: So it wasn't just limited to licensing?

25

MR CONNOLLY: But I also had those powers as the Deputy Director-General as well.

MS CAHILL: Why would you have those powers as Deputy Director-General?

30

MR CONNOLLY: I believe I had the full delegation.

MS CAHILL: Also as Deputy Chairperson?

35

MR CONNOLLY: As Deputy Chairperson as well.

MS CAHILL: So, I guess this comes back to the question of why the Chief Casino Officer role was more limited. Because you are saying --- each one of you, Chief Casino Officer, Deputy Chairperson and Deputy Director-General, in all those guises you could issue directions.

40

MR CONNOLLY: I could.

MS CAHILL: Why do you say ---

45

MR CONNOLLY: I didn't and I haven't issued directions but primarily I saw myself as acting as the Deputy Director-General. That's the role that I saw myself acting in rather than as CCO or as Deputy Chairperson exercising those delegations.

MS CAHILL: Did anyone ever tell you that that is how you should look at your role?

5 MR CONNOLLY: No, they did not.

MS CAHILL: And, looking back now, especially because I'm asking you all these questions about this, have you got any insights as to what your process of thinking was as to why you foregrounded the Deputy Director-General role and backgrounded the Chief Casino Officer role, particularly in relation to things like the section 24 directions delegation power?

10 MR CONNOLLY: No. Again, I don't see --- I don't understand really why I had the delegation in those three positions. I probably only needed it in one position.

15 MS CAHILL: Which one?

MR CONNOLLY: I would have said the Deputy Director-General quite frankly.

20 MS CAHILL: Why?

MR CONNOLLY: Because predominantly that is what my role is and how I fit in all those other things. I act as the Deputy Director-General on a daily basis not CCO or Deputy Chairperson.

25 MS CAHILL: Who would you report to in the role as Deputy Director-General in relation to casino regulation?

MR CONNOLLY: The Director-General, in relation to casino regulation, yes.

30 MS CAHILL: Just to finish off on this point, if we have a look at paragraph 47 on this page, the evidence you've just given is really put in concise terms at paragraph 47; is that right?

35 MR CONNOLLY: Yes. That's how I see it.

MS CAHILL: And at 48, pull out 48, please, you say:

40 *The complicating factor in distinguishing my roles is due to me being both the DDG and the CCO.*

How is that a complicating factor because I thought you just explained you primarily worked as the Deputy Director-General?

45 MR CONNOLLY: Well, I guess it's not unless it comes to those licensing functions that I have to be careful when I'm performing those licensing functions, that is, approving the licensing, the issue of licenses, new positions on the register and those positions that are CCO, that I do as the CCO. I don't necessarily think about that on

a daily basis, who I am. I just act as the Deputy Director-General. So it complicates me having those additional positions.

5 MS CAHILL: Just to be clear, what you do as Chief Casino Officer is driven by a separate --- (inaudible).

MR CONNOLLY: Yes, it is.

10 MS CAHILL: So that is the dividing line?

MR CONNOLLY: Yes, it is.

15 MS CAHILL: What is in the regulations is CCO territory and everything else is Director-General

MR CONNOLLY: That is how I see it.

20 MS CAHILL: I will finish for the transcript, everything else is Deputy Director-General?

MR CONNOLLY: Yes.

25 MS CAHILL: Save for that, ad hoc role in relation to Deputy Chairperson filling in for the chairperson of GWC?

MR CONNOLLY: Correct.

30 MS CAHILL: I understand.

To finish off so we are entirely clear, in relation to Deputy Chairperson, despite that broad delegation of power that you had there were no circumstances were there in which you exercised power as Deputy Chairperson apart from when you were in a meeting?

35 MR CONNOLLY: That's correct. Yes.

40 MS CAHILL: Now, if we go to paragraph 56 at page 0008, we're talking here about the actual performance of your role as Chief Casino Officer and you are saying that it took up only a very small percentage of your workload. Would you be able to give me, I know it wouldn't be precise, but a rough estimate of the percentage of your overall time in casino regulation that the work of the CCO, Chief Casino Officer, how much that took up?

45 MR CONNOLLY: So, again, Chief Casino Officer for me is a licensing role. So typically what would happen is that I would get documents prepared by departmental staff for approval, for approval of the issue of casino licenses or key licenses, to add new positions on to the register, that is positions that need to have licensed personnel

in them. They would come through on an ad hoc basis, if not daily, every second day or so. They would be my last priority. I would do those before I went home most nights or leave them until I had the time to have a look at those. A very small  
5 percentage would be half an hour in any given day at best. At best.

MS CAHILL: And then if we move away from that very specific role of the CCO and we consider the amount of time you spend on casino regulation, including the CCO work compared to all your other regulatory work, so every other aspect of your  
10 job, about what percentage are we talking?

MR CONNOLLY: It is hard, and this would be a guesstimate because it depends on day to day. Some days things at the casino would be a huge priority and would take all of my attention but if I was going to have a guess, I would say probably about 20  
15 per cent.

MS CAHILL: Thank you.

If we go to 58, you may have already answered this course in the course of  
20 responding to my other questions. Can we pull back so Mr Connolly can see the context of that statement. 57 there, when you are talking about the only time that you are required to exercise your duties as CCO is when you required due to legislative constraints?

25 MR CONNOLLY: Regulation.

MS CAHILL: You are talking about regulation and complains. You say that would arise at 58 as there are a "select number of matters for which only the CCO can act".

30 MR CONNOLLY: Regulations, that's correct.

MS CAHILL: And you remember that as principally licensing of key casino employees?

35 MR CONNOLLY: Casino employees and key casino employees.

MS CAHILL: What about authorising games?

MR CONNOLLY: No.

40

MS CAHILL: And at 59:

*Largely, the role of CCO would be to sign off on recommendations that had  
45 been provided to me by a director..... Of the department.....*

So that is one rung down from you?

MR CONNOLLY: That's correct, yes.

MS CAHILL: Therefore, they and people below them would marshal all the information in relation to a potential key casino employee. You wouldn't do that yourself, you would have that all fed up to you and then you would receive a  
5 recommendation to approve or not approve and sign or not as the case may be?

MR CONNOLLY: That's correct.

MS CAHILL: I understand.  
10

What I want to ask you about is your position as Chief Casino Officer. I understand all the evidence you've just given about the limitations of that role. Did you perceive the Chief Casino Officer role more as a titular position, almost, that the department would consider the position of this very narrow decision-making process of  
15 approving key casino employees and you brought an independent mind to bear about whether to recommend or not, but really it was simply because nobody else could sign off apart from the person that occupied that position, that that was all that the Chief Casino Officer role was about, holding the office of the person who could authorise the licensed employees?

MR CONNOLLY: Primarily, yes.  
20

MS CAHILL: And the real substance of your active consideration regulation work was in your Deputy Director-General role?  
25

MR CONNOLLY: That's how I understood that.

MS CAHILL: Did you see your roles of Chief Casino Officer and Deputy Director-General in that way when you occupied the two roles?  
30

MR CONNOLLY: Yes.

MS CAHILL: Is it fair to say you saw the Chief Casino Officer as a much more formal and limited role and your Deputy Director-General role as your main casino regulatory role?  
35

MR CONNOLLY: Yes, that is fair to say.

MS CAHILL: I wanted to take you to something you say at 77 of your witness statement, at page 0010. Here you are discussing the interaction of the Chief Casino Officer and the GWC and you say at 77 "in my role as DDG and CCO I have two key roles". Understanding the evidence you have just given, is 77 (a) your description of your Chief Casino Officer and 77 (b) your description of your Deputy Director-General role?  
40

MR CONNOLLY: Yes, I think that is fair, yes.  
45

MS CAHILL: Your Deputy Director-General role is your overarching casino regulatory role. We understand you have a broader role. And you describe that in the broad as giving effect to the wishes of the GWC? Is it a reactive role, not a  
5 proactive role?

MR CONNOLLY: It's both. I think it is both. It is making recommendations to the GWC but also giving effect to the decisions of the GWC.

10 MS CAHILL: I'm you trying to understand a piece of evidence that you gave before because if you describe your role as in effect giving effect to the wishes of the GWC, you previously said your primary responsibility or reporting duty was to the Director-General of the department in that regard.

15 MR CONNOLLY: Yes.

MS CAHILL: So you report to the Director-General of the department in relation to giving effect of the wishes of the GWC?

20 MR CONNOLLY: I think you will have to explain that to me.

MS CAHILL: You described at 77 (b) generally what your role as Deputy Director-General is.

25 MR CONNOLLY: Yes.

MS CAHILL: That is giving effect to the wishes of GWC, yes?

30 MR CONNOLLY: Yes.

MS CAHILL: And, in doing that, you report primarily to the Director-General of the department.

35 MR CONNOLLY: Yes. However, what I would say about giving effect to the wishes of the GWC, that is using departmental staff to facilitate the outcomes that the GWC are asking. So if they approve things in principle, for example, they will approve things like electronic gaming machines and table games and changes to policies and procedures in principle, I would give effect to those by processing those outside of the Gaming and Wagering Commission meeting using departmental staff.

40

MS CAHILL: How does it work: the GWC expresses a wish that they want you to do something, do you have to go to the Director-General and say "this is what the GWC wishes" ---

45 MR CONNOLLY: No, I just do it.

MS CAHILL: Right. How does the Director-General oversee what you do then?

MR CONNOLLY: The Director-General is my immediate supervisor so if I'm not doing it, he probably would be involved in that rather than when I am doing it.

5 MS CAHILL: Who has the final word as to if and how you carry out the wishes of GWC?

MR CONNOLLY: I do. Well, technically I think the Director-General does but he hasn't intervened in those processes at any point in time.

10

MS CAHILL: Why do you say "technically"?

MR CONNOLLY: The Director-General is my supervisor. I'm his direct report. So he has responsibility for my performance, although I have a delegated authority to make those decisions without reference to him.

15

MS CAHILL: Do I understand your point to say it hasn't actually occurred in practice, but if the GWC wished you to do something that the Director-General didn't agree with he could override the wishes of GWC?

20

MR CONNOLLY: It hasn't happened in practice but I think if he directed me to do that, I would not do that, yes.

MS CAHILL: If we go down to paragraph 83, page 0011, you summarised here the effect of your roles as Chief Casino Officer and Deputy Director-General in relation to GWC. And you say that you take the view that as far as those jobs relate to the casino and GWC "my job beyond employee licensing [the CCO role] is to give effect to decisions of the GWC. Which is another way of giving effect to their wishes.

25

30 MR CONNOLLY: Yes.

MS CAHILL: You use the language of "decision" here, which is a little more formal?

35 MR CONNOLLY: Yes.

MS CAHILL: And is it the same that if the GWC has passed a resolution by majority, it may not have happened in practice, but if they passed a resolution on a decision by majority that the Director-General did not agree with, hypothetically in that example, your view would be that the Director-General could countermand that decision?

40

MR CONNOLLY: It hasn't happened and we are talking hypothetically, but at the end of the day I'm an employee of the department. So if the Director-General directed me not to do something, yes, I think, I wouldn't do it.

45

MS CAHILL: All right.

So that is the position of decisions of the GWC in meeting. What about decisions of the GWC made by delegated authority?

5 MR CONNOLLY: Do --- example?

MS CAHILL: You have delegated powers.

MR CONNOLLY: I have delegated authority, yes.

10

MS CAHILL: The Director-General has a whole range of powers and the Chief Casino Officer has a whole range of powers. So when those delegated powers lead to a decision made as the delegate the Director-General with his department hat on could countermand those decisions?

15

MR CONNOLLY: Potentially. It hasn't happened.

MS CAHILL: I understand that you don't have any real-live examples.

20 MR CONNOLLY: Yes, no, I don't.

MS CAHILL: You were going to say?

MR CONNOLLY: No, I don't have any real live examples.

25

MS CAHILL: We are speaking in a hypothetical situation, but what would happen in your view? With the Director-General with his department hat on not his GWC hat on could countermand the decision by a GWC whether by the GWC members in meeting or by a delegate?

30

MR CONNOLLY: I think so.

MS CAHILL: Just in terms of the decisions in meetings and giving effect to GWC decisions, you stress, of course, that there has been no example that you can recall of any countermand of the decisions but this is the position, isn't it: to the extent that the GWC in meeting makes decisions or gives directions to you or any other delegate or any person in the department, they do so on the basis of advice?

35

MR CONNOLLY: They consider advice, certainly.

40

MS CAHILL: You would agree with me, would you, that the membership of the GWC, certainly as it is presently constituted, has limited experience in casino regulation apart from Mr Sergeant?

45 MR CONNOLLY: Yes, I would agree.

MS CAHILL: And for those members apart from Mr Sergeant with their limited experience in casino regulation they would be particularly reliant upon you and



others within the department to give them advice about the decisions they ought make and directions they ought give?

5 MR CONNOLLY: Yes, I think that is fair.

MS CAHILL: And at paragraph 87 of your witness statement, saying at page 0011, you are describing that role of Deputy Chairperson there. And just to be clear, in 87, are you talking about what you do just when you are the Deputy Chairperson or  
10 whenever you attend a GWC meeting when you talk about effectively controlling the agenda?

MR CONNOLLY: In more recent times, that is post 2017, it is effectively  
15 controlling the agenda.

MS CAHILL: And you do that because Mr Ord as chairperson has limited knowledge and experience in casino regulation?

MR CONNOLLY: I do that because he asks me to do that so, presumably, yes.  
20

MS CAHILL: So, and I'm not being facetious, I'm trying to cut to the chase, you were effectively running the show at GWC meetings from the time Mr Ord became chairperson?

25 MR CONNOLLY: I think that is fair, yes.

MS CAHILL: And by running the show, I think you understand what I mean there: you were effectively deciding what would go on the agenda?

30 MR CONNOLLY: I don't think that is quite correct. Certainly when submissions come in from parties who want to get on the agenda and primarily that would be Crown. Most agendas were made up of Crown items. They would go on an agenda whether I wanted them to go or not. Timing might be an issue and consideration of what was being asked and how much background work was required for us to  
35 provide advice, but I would approve the agenda before it went to a commission meeting.

MS CAHILL: That was going to be my next question. So you had ultimate say on what was in the agenda and what wasn't?  
40

MR CONNOLLY: At any particular meeting, not over a time span of meetings because obviously Crown wouldn't be happy, nor would anyone else who wanted an agenda item at a commission meeting if I blocked that for no good reason but I had control over the agenda, yes.  
45

MS CAHILL: And you had control over the briefing papers that supported the agenda?

MR CONNOLLY: No.

MS CAHILL: What do you mean by "no"?

5

MR CONNOLLY: No in that in most cases certainly I authored Gaming and Wagering Commission briefing papers on different matters but in lots, if not most cases they were authored by other people and signed by a director and the director would sign to say that the paper contained sufficient and appropriate detail for the Commission to make decisions on. Now those would be put into the agenda and I wouldn't change those.

10

MS CAHILL: You wouldn't look to them and say "golly, I think that hasn't got nearly enough detail or I think it is wrong"; you wouldn't do that check?

15

MR CONNOLLY: Yes, I would. If I had questions I would ask those questions and on occasion I would ask people to (inaudible) but they were authored by somebody else. So I didn't change their recommendations in any way, shape or form.

20

MS CAHILL: Did you think it was open to you to change their recommendations?

MR CONNOLLY: No, if I'm going to change the recommendations, I think it's open for me to author another paper and make that point.

25

MS CAHILL: Let's look at paragraph 88 where you describe the central purpose of you attending GWC meetings. Let me understand this paragraph. You articulate the central purpose of your attendance in your capacity as Deputy Director-General, not in your capacity as Deputy Chairperson?

30

MR CONNOLLY: Yes.

MS CAHILL: And I wanted to deal with (c) particularly, central purpose is to "provide advice on all of the agenda items, as required and requested". Now, what do you mean by that given that others were making briefing papers and providing recommendations that you didn't consider you could change?

35

MR CONNOLLY: Simply there for clarification. If the Commission members wanted more information about those papers and what they meant.

40

MS CAHILL: And presumably some of the briefing papers you did prepare yourself?

MR CONNOLLY: Yes.

45

MS CAHILL: And I think you mention this at paragraph 94, which is at page 0012. Go to 93 for a moment and you say:

*The way in which I provided updates to the GWC was through briefing*

*papers.....*

5 So there were two sorts of briefing papers, one to say this is where things are at and another set of briefing papers to say this is where we think you should go and decisions you should make. So you are talking here about the update briefing papers, is that right?

10 MR CONNOLLY: Generally there is no discussion around things that are already done. Those things were generally noted. They were discussion about recommendations for action.

MS CAHILL: All right. So updates means what there?

15 MR CONNOLLY: Updates would be --- examples of updates would be the delegations paper. So there is a paper that describes to the Commission how delegations have been exercised in the previous month. That would be an update. Updates would also include things like revenue information, number of audits and inspections that have been done, those sorts of things.

20 MS CAHILL: All right. Now, then at 94 are you talking about a different set of briefing and agenda papers which were the ones looking forward how the regulatory framework should, the direction it should move in?

25 MR CONNOLLY: In that paragraph I am, yes.

MS CAHILL: And that's at 95. You say you prepared those briefing papers. Did you prepare all the briefing papers for future action or just some of them?

30 MR CONNOLLY: Just some of them.

MS CAHILL: And you give examples of two at paragraph 96.

35 MR CONNOLLY: Yes.

MS CAHILL: Just to flag I don't expect to have time to ask you about the content of those briefing papers specifically today, but we might return to those at a later time.

40 If I can ask you a couple brief questions about these two papers in the broad. Firstly, in relation to the 2015 one about removing full-time inspectors from the actual Perth Casino premises, did you write that paper because GWC asked you to?

MR CONNOLLY: No.

45 MS CAHILL: It was rather your initiative to propose that change for them to approve?

MR CONNOLLY: Yes.

MS CAHILL: Is that right?

MR CONNOLLY: Yes.

5

MS CAHILL: And you explain in 97 in relation to the second briefing paper at 96 (b), which is to do with the role and responsibility of the GWC with respect to junket operations and money laundering, that at 97 you say the reason why you wrote that paper was because of (a) the "GWC was concerned at the media and regulatory focus on junkets and junket play at the Casino....."

10

So, was it their initiative you put forward the paper or rather you saw they had a concern and it was your initiative to propose something to address that concern?

15

MR CONNOLLY: In that circumstance it was my initiative to provide that paper, but it was more to reinforce the decisions and the understanding that the Commission had had previously. Many of the members hadn't been involved in those discussions or had that information.

20

MS CAHILL: So when we take these briefing papers as an example, would you agree with me that you actually are adopting a role of initiating and guiding GWC as to the regulatory approach that it should take in respect of casino regulation?

25

MR CONNOLLY: Guiding, yes.

MS CAHILL: And you considered that to be your responsibility?

MR CONNOLLY: Yeah.

30

MS CAHILL: In your role as Deputy Director-General?

MR CONNOLLY: Yes.

35

MS CAHILL: And when you were initiating and guiding the regulatory approach the GWC was to take --- sorry, I meant to say initiating and guiding. I will go back.

So you were the one who was not just guiding the GWC but also initiating the regulatory suggestions as to the regulatory approach they should take?

40

MR CONNOLLY: Suggesting, yes.

MS CAHILL: And then guiding them with recommendations as to a certain path or course they should take?

45

MR CONNOLLY: Yes.

MS CAHILL: Which hopefully would culminate in a decision consistent with your

recommendation?

MR CONNOLLY: Yes.

5

MS CAHILL: Sorry, I will repeat so it is clear for the transcript, you did that in your role as Deputy Director-General?

MR CONNOLLY: Yes.

10

MS CAHILL: And when you were initiating and guiding in the way in which we just established the regulatory approach of the GWC, were you acting primarily in the interests of the department or primarily in the interests of GWC?

15

MR CONNOLLY: Primarily --- now this is going --- primarily in the interests of both. There is a balance trying to achieve. It wasn't just achieving outcomes for the Gaming and Wagering Commission, it was also trying to achieve the regulatory outcomes of the broader department with the same resources. So what I was trying to achieve is a more effective way to do that without having either suffer. So it is hard to say primarily who I was acting for. I was trying to find the most effective solution and most effective use of the resources that we had available.

20

MS CAHILL: Did you feel that that was a task that on occasion, at least, involved balancing competing factors that were in tension with each other? Typically, how much something would cost versus the value of the regulatory outcome that was to be achieved from that --- for that cost?

25

MR CONNOLLY: Competing ---

30

MS CAHILL: Yes.

MR CONNOLLY: --- absolutely. Yes.

35

MS CAHILL: Just changing topics slightly, but not entirely here. If we go to paragraph 166 to 182 of your witness statement, which I think commences at 0019. You are talking about a range of meetings that you --- the different sorts of people that you had meetings with and entities in relation to casino regulation I understand is what you are saying there. Is that right?

40

MR CONNOLLY: That is, yes. Well, local government --- we are looking at paragraph?

MS CAHILL: 166.

45

MR CONNOLLY: Certainly leading on from that in 167 not all casino meetings.

MS CAHILL: So 166 is not limited to casino regulation?

12:11PM

MR CONNOLLY: It is DDG meetings, yes.

MS CAHILL: In relation to regulatory services in the broad?

5

MR CONNOLLY: Yes.

MS CAHILL: Just to be clear, when you had the meetings that you mention at 167 (d) with the GWC, are you talking about meetings other than the monthly meetings?

10

MR CONNOLLY: No.

MS CAHILL: So you say at 166 that it was in your role as DDG, Deputy Director-General, you mean other than on the occasions that you were in the role of Deputy Chairperson?

15

MR CONNOLLY: Yes. Yes.

MS CAHILL: I do want to change topics here and talk to you about conflicts of interest. Now, you say at paragraph 259 of your witness statement at page 0028 that you are familiar with the department's Code of Conduct. 259, I beg your pardon. You are aware the department has a Code of Conduct policy document? Is your recollection that the GWC Code of Conduct was in similar terms to the department's?

20

25 MR CONNOLLY: Yes.

MS CAHILL: Each of the department's and the GWC have introduced codes of conduct at different times. So I want to ask you about from the time to your recollection when both of those codes were operative, each one of them had a Code of Conduct in place in similar terms. When you were performing regulatory work in relation to the Perth Casino, did you consider yourself to be bound by the department's Code of Conduct, the GWC's Code of Conduct or both?

30

MR CONNOLLY: Where they existed and I was aware of them, both.

35

MS CAHILL: But you were aware of them, each of them, from the time of being introduced?

MR CONNOLLY: 2014 I was aware of them, yes.

40

MS CAHILL: All right.

Now the department's Code of Conduct is at GWC.0001.0011.0001. This is a version I will show you as at September 2020, not from 2014. Familiar front page of the code is it for you?

45

MR CONNOLLY: It's not familiar, but I'm sure I would have seen this.

MS CAHILL: Let's go to page 0009, which is the page that deals with conflicts of interest. And I just ask you to read to yourself the first paragraph and let me know when you are finished.

5

MR CONNOLLY: I've finished.

MS CAHILL: I want to draw your attention to the second sentence where it says:

10 *We must not allow our private interests to influence our decisions or actions. This includes appropriately identifying, declaring and managing any personal or private interests that conflict with the broader public interest.*

15 Now, taking that in two stages the requirement to not allow our private interests to influence our decisions or actions, did you understand during the time that you were Chief Casino Officer and Deputy Director-General whether you had the Code of Conduct or not, that that was a principle you had to adhere to?

20 MR CONNOLLY: Yes.

MS CAHILL: And, similarly, that you had to appropriately identify, declare and manage any personal or private interests that conflict with the broader public interest?

25 MR CONNOLLY: Yes.

MS CAHILL: If we go to the second sentence, and I will again ask you to read it through and let me know when you ---

30 MR CONNOLLY: Which paragraph?

MS CAHILL: Second paragraph on that page. That first sentence:

35 *Conflicts of interest arise where there is a conflict between the performance of public duty and private or personal interests.*

Did you understand that was the circumstance in which conflicts arose, that was your understanding throughout your entire time as Deputy Director-General and Chief Casino Officer?

40

MR CONNOLLY: Yes.

MS CAHILL: In going to the second sentence where it says:

45 *Conflict may involve personal, financial or political interests [put that to one side] and may be actual, perceived or potential.*

Was that your understanding throughout your tenure as Deputy Director-General and Chief Casino Officer, that conflict could be perceived or actually or potential?

5 MR CONNOLLY: Yes, I believe so.

MS CAHILL: Did you understand that to mean that it could appear you had a conflict of interest even if you didn't actually have one?

10 MR CONNOLLY: Yes.

MS CAHILL: And that was still something that needed to be declared and managed?

15 MR CONNOLLY: Yes.

MS CAHILL: And if we go down to the fourth paragraph, do you see where it commences "it is not always possible to avoid a conflict of interest"?

20 MR CONNOLLY: Yes.

MS CAHILL: If you read that paragraph to yourself and tell me when you are finished.

25 MR CONNOLLY: Yep.

MS CAHILL: So it advises that it is not always possible to avoid one and then says:

30 *..... therefore, it is the management of that conflict, actual, perceived or potential, that is important.*

It goes on to say that:

35 *You must declare any conflict of interest of which you become aware.*

Did you understand that that was your responsibility throughout your time as Chief Casino Officer?

40 MR CONNOLLY: Yes.

MS CAHILL: Even in relation to perceived or potential conflicts?

MR CONNOLLY: Yes.

45 MS CAHILL: Now, at paragraph 262 of your witness statement at page 0029, can we pull out 262, please, you talk here about a conflict of interest policy and you say:

*..... 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.*

MR CONNOLLY: Yes.

5

MS CAHILL: And you say that because for officers generally it would be a way to have them bring to the front of their minds on a regular basis a consideration of whether or not they have conflicts of interest.

10 MR CONNOLLY: That's exactly why I say that, yes.

MS CAHILL: But you knew in any event, without such a register, did you, that conflicts of interests should be front of mind at all times?

15 MR CONNOLLY: Yes.

MS CAHILL: And that you had to declare them if you had actual, perceived or potential conflict?

20 MR CONNOLLY: Yes, but not repeatedly declare them.

MS CAHILL: Understand. Declare them once and ---

MR CONNOLLY: Declare.

25

MS CAHILL: --- once was enough.

MR CONNOLLY: Yes.

30 MS CAHILL: If we could go back to the policy document, please and we were at page 0009. That last paragraph on that page says:

35 *Conflicts of interest [in the first sentence] arise when personal interests can influence, or appear to influence, our decision-making responsibilities in our work duties.*

You understood that to be the position throughout your time as Deputy Director-General and Chief Casino Officer?

40 MR CONNOLLY: Yes.

MS CAHILL: The second sentence:

45 *This includes the receiving or offering of gifts, benefits and hospitality.*

You see that?

MR CONNOLLY: I understand that, yes.

MS CAHILL: You understood that was a conflict of interest. Just in relation to the last sentence, including the receiving or offering of gifts, benefits and hospitality, did you think --- was your understanding that that was the limit of what amounted to a conflict of interest?  
5

MR CONNOLLY: No. No. It includes what could be considered a conflict of interest, but it's not the limit.

10 MS CAHILL: What else do you think might constitute a conflict of interest outside of the provision or receiving, or offering of gifts, benefits and hospitality?

MR CONNOLLY: I guess anything that anyone could see as a potential or perceive as being an interest that doesn't align with work interests.  
15

MS CAHILL: Have you got any examples in your mind that come to the fore immediately?

MR CONNOLLY: I guess friendships is one that could come to the floor  
20 immediately for me.

MS CAHILL: Now with the benefit of hindsight with everything that has happened or front of brain if I can put it that way?

25 MR CONNOLLY: It's always front of brain because I genuinely believe I haven't allowed it to influence anything and it hasn't --- there is no actual conflict of interest, it is managing potential and perceived. I have declared those friendships but I haven't continued to declare them on any sort of ongoing basis.

30 MS CAHILL: Let's go over the page to 0010 of the policy and here are conduct expectations. You understand these to have been guides to specific behaviour.

MR CONNOLLY: Yes.

35 MS CAHILL: Relevant to conflicts of interest. And the first point is very general, isn't it, identify, declare and appropriately manage conflicts of interest, actual, perceived or potential between personal interests and public duty. And then there is some much more specific actions and expectations in the remaining bullet points. When you were considering what you had to do to address conflicts of interest  
40 appropriately in your time as Chief Casino Officer and Deputy Director-General did you think that meeting the expectations in the second, third, fourth, fifth, sixth and seventh bullet points was sufficient or that there was some further expectation of you that was encompassed within the first bullet point?

45 MR CONNOLLY: Can you repeat that for me, please.

MS CAHILL: It's a complicated question and I apologise for that. What I'm driving

at is you have this very general bullet point at the beginning which says in terms, identify, manage, declare and manage conflicts, which sort of then leaves one thinking, okay, when, how and why arguably.

5

MR CONNOLLY: Yes.

MS CAHILL: You have got these more specific bullet points where they say, well, these are the things I will or won't do or I'm expected to do.

10

MR CONNOLLY: Yes.

MS CAHILL: So my question is when you were considering the Code of Conduct when you were Chief Casino Officer and Deputy Director-General, did you think that filling the more specific bullet points was sufficient to identify, declare and manage conflicts or that there was some other responsibility or expectation upon you?

15

MR CONNOLLY: No, I think fulfilling the dot points.

20

MS CAHILL: Now, you describe in your witness statement friendships that you had with three people employed by Crown Perth. I want to come back to those people in a moment. I won't talk to you about the people specifically right now. But, first of all, I want to address paragraphs 327 to 333 of your witness statement, which is at page 0034 and 0035. Can I understand what you say in these paragraphs, put shortly, in about 2015, 2016 you bought a boat for about \$8,000 with a view of doing it up to sell it.

25

MR CONNOLLY: It was a project, that's right.

30

MS CAHILL: And after you had done it up, one of those friends from Crown Perth who we will speak about in a moment expressed an interest in buying it. Is that correct?

35

MR CONNOLLY: That's correct.

MS CAHILL: Having spent close to \$5,000 fixing it up, you sold it to him for \$13,000 and made a \$116 profit.

40

MR CONNOLLY: Yes.

MS CAHILL: The real point of my questioning to get the background clear is to take you to the email which you refer to at page 0038 of your witness statement, that is annexure B, in which you disclose the sale to Mr Sargeant, who was the Director-General of the department.

45

MR CONNOLLY: That's right.

MS CAHILL: In the second sentence of the first paragraph, and in the second last

paragraph you say in terms that you don't consider this to be a real or potential conflict of interest and that was your thought at the time?

5 MR CONNOLLY: That was my thought at the time.

MS CAHILL: You also say in the first sentence in addition to it not being a real or potential conflict of interest, not a perceived conflict of interest and that is what you thought at the time?

10

MR CONNOLLY: And that was my opinion, yes, that it shouldn't be perceived as that.

MS CAHILL: So you were only disclosing to Mr Sargeant out of an abundance of caution and not because you thought you had to?

15

MR CONNOLLY: Yes.

MS CAHILL: In the next paragraph you make points about the transaction, that is the second paragraph with the dot points. You see that?

20

MR CONNOLLY: Yes.

MS CAHILL: One is that you were not getting any benefit out of the transaction beyond a fair value; yes?

25

MR CONNOLLY: That's correct.

MS CAHILL: And that is the point you are trying to make in the second and fourth bullet points?

30

MR CONNOLLY: Correct.

MS CAHILL: I want to ask you about the first and third bullet points.

35

MS CAHILL: The first bullet point is you say "it is not a private interest that conflicts with my public duty. That's what you thought at the time?"

MR CONNOLLY: That's what I thought at the time, yes, in the context that I had declared the friendship with this person to Barry Sargeant, the Director-General.

40

MS CAHILL: All right. So you saying --- your evidence is that you didn't think it was a private interest that conflicted with your public duty because importantly you had previously declared the friendship to Mr Sargeant?

45

MR CONNOLLY: Yes.

MS CAHILL: Let me just ask you another question about that bullet point and what

you have said there.

MR CONNOLLY: Yes.

5

MS CAHILL: Would you agree that your public duty, you describe public duty there, expressed at its broadest, is to regulate, relevantly, you have other jobs, but to regulate Perth Casino in the public interests on behalf of the people of WA?

10 MR CONNOLLY: Yes, I would.

MS CAHILL: And at the heart of the regulation of the Perth Casino is regulating what a casino operator can or cannot do?

15 MR CONNOLLY: That's correct.

MS CAHILL: And, as the Chief Casino Officer, Deputy Chairperson of the GWC and Deputy Director-General of the department with responsibility for casino regulation, in other words, a very senior position within the regulator in respect of  
20 casinos, you had the power to influence, if not decide, what the casino operator could or could not do?

MR CONNOLLY: I don't think decide, but influence I would agree with, yes.

25 MS CAHILL: Did it occur to you at the time that you were selling this boat to a Crown employee that the person in the street could take the view that your independence in the role of influencing what Crown Perth could or could not do as a casino operator could be influenced by this transaction?

30 MR CONNOLLY: No, I don't think that occurred to me at the time. I wouldn't have done it otherwise.

MS CAHILL: For example --- so you didn't think about that at the time. I ask you to --- I will put something to you and see whether your position remains the same now.  
35 What if, for example, it could be perceived that your friend had taken the boat off your hands to save you the trouble of having to sell it at arm's length? Do you see how someone might see that as a perceived conflict of interest?

MR CONNOLLY: No. Not --- I wouldn't have even thought of that as a scenario.

40

MS CAHILL: Do you think of it now?

MR CONNOLLY: I do now you've asked me about it, but I wouldn't even have thought about that as a scenario.

45

MS CAHILL: What about if the man in the street perceived that it could have been difficult for you to sell the boats through an arm's length sale to recoup the money you had spent on it, and this was a favour, if you will, to take the boat off your hands

to recoup your money?

MR CONNOLLY: Again I wouldn't have thought of that as a scenario.

5

MS CAHILL: Do you think of it now?

MR CONNOLLY: Again, once you've raised that with me. Potentially.

10 MS CAHILL: Let's have a look at the third bullet point. You say:

*Not a transaction that should be perceived as having any ability to influence any decision I make in the future.*

15 Would you agree in hindsight that it could be perceived as a transaction that had the ability to influence a decision you made in the future?

MR CONNOLLY: I think that is a significant stretch given that that transaction certainly didn't translate into an ability to influence. I don't know. Different people will perceive different things, I guess, yeah.

20

MS CAHILL: So you remain of the view that it did not amount to a perceived conflict of interest?

25 MR CONNOLLY: In my mind, I don't think --- no. In my mind it wasn't a conflict of interest, but in other people's minds it may have been something different.

MS CAHILL: This is an old chestnut, we are going back to before I was asking questions about conflicts of interests, but you signed this as Deputy Director-General because that is your main casino regulatory role?

30

MR CONNOLLY: Yes.

MS CAHILL: And you addressed it to Mr Sargeant as Director-General of the department, not as chair of GWC, because he is who you report to in your capacity as Director-General of the department?

35

MR CONNOLLY: Not quite that much thought goes into this. That is an email and the signature is generated automatically. So Deputy Director-General is on there and I would not have changed it. And I wrote to Barry as the Director-General, yes.

40

MS CAHILL: Did you inform GWC at the time that you sent this email to Mr Sargeant in similar terms?

45 MR CONNOLLY: No.

MS CAHILL: Did it occur to you at the time to do so?

MR CONNOLLY: No, it did not.

MS CAHILL: Does it occur to you now that you should have?

5

MR CONNOLLY: No. Again, Barry is the --- the Director-General is the chairman of the Gaming and Wagering Commission if that happened now and the chair thought it was something that needed to be declared, I would do it.

10 MS CAHILL: Did you expect him to receive this information in the dual capacities of chair of the GWC and Director-General of the department?

MR CONNOLLY: I expected him to receive this in the capacity as the Director-General and he could make is own mind up about where that needed to go and what needed to happen with it. He was my immediate manager.

15

MS CAHILL: Let's go back to the body of your witness statement ---

COMMISSIONER OWEN: Before you do that, while that document is on the screen, Mr Connolly, I realise you are not a lawyer and the question that I'm going to ask you does have a legal basis but don't worry about that. You will see in the first bullet point the words are "private interest" and "public duty" and that is the wording in the Code of Conduct. Did you give thought to what those words mean and whether there could be other aspects around the nation of conflict?

20

MR CONNOLLY: No, Commissioner. I think I've just taken those out of the Code of Conduct to try and address what I thought were the requirements of the code.

COMMISSIONER OWEN: Thank you.

25

MS CAHILL: My learned junior reminds me I haven't tendered the Code of Conduct, which I will do so now, Commissioner. That is GWC.0001.0011.0001.

COMMISSIONER OWEN: The Code of Conduct of the department, which bears the document identifier that Ms Cahill has just read out, will be admitted into evidence as an exhibit.

30

**EXHIBIT #GWC.0001.0011.0001 - THE CODE OF CONDUCT OF THE DEPARTMENT**

35

MS CAHILL: Now, going back to the body of the witness statement at page 0035 and at paragraph 338, you begin to give some evidence about another one of your friends' retirement parties (inaudible) Crown employee and Crown put on a retirement party for him and that was in 2019.

40

MR CONNOLLY: That's correct.

12:35PM

MS CAHILL: And you mention 15 other department employees who were invited and Crown was paying for the catering.

5 MR CONNOLLY: Correct, yes.

MS CAHILL: Now at 341, having just referred to the fact that Crown would be paying for all the catering, you say:

10 *For this reason, I asked for a list of all the Department employees that had been invited.*

The "this reason" is because Crown was paying for the catering, is that right?

15 MR CONNOLLY: Yes, it is.

MS CAHILL: I'll come back to this. Is that a really important feature of conflict of interest in your mind, whether someone is paying for something or someone is getting a tangible benefit?

20 MR CONNOLLY: It was for me here. This wasn't as a result of a friendship. This was hospitality that was being paid for. I wanted to make sure that everybody who had been invited and who was going to go, the Director-General had approved that and the distinction for me was Crown was paying for this event.

25 MS CAHILL: I will now have move now to ask you questions about your friends mentioned in your witness statement. The first is Jon Nicholls at paragraph 303 and following the fact of the matter is he was a friend of department days.

30 MR CONNOLLY: That's correct.

MS CAHILL: And for a similar length of time --- he began when you began at the department in the late '80s, and early '90s.

35 MR CONNOLLY: That's correct.

MS CAHILL: When did he retire?

40 MR CONNOLLY: Two or three years ago, perhaps.

MS CAHILL: All right. I understand from paragraphs 307 and 308 of your witness statement that he took a job with Crown at some point. Do you remember approximately when?

45 MR CONNOLLY: Probably two or three years before that, prior.

MS CAHILL: Do I understand correctly that job had nothing to do with casino



regulation?

MR CONNOLLY: Not as I recall, nothing to do with gaming and the things I was  
5 generally involved in.

MS CAHILL: But anything to do with casino regulation beyond gaming?

MR CONNOLLY: Not that I recall.  
10

MS CAHILL: I don't intend to ask you anymore questions about Mr Nicolls.

MR CONNOLLY: Okay.

15 MS CAHILL: Can I ask you about Paul Hume?

MR CONNOLLY: Hume.

MS CAHILL: You describe your friendship with him commencing at paragraph 294  
20 of the witness statement, page 0032. And this was another friendship from  
department days, is that right?

MR CONNOLLY: That's right.

25 MS CAHILL: And you had been friends since the 1990s?

MR CONNOLLY: Yes, Paul would have been one of those senior inspectors who  
conducted initial training and ---

30 MS CAHILL: Sorry ---

MR CONNOLLY: 1990.

MS CAHILL: In 2009 he took a job at Perth Casino?  
35

MR CONNOLLY: Yes.

MS CAHILL: And he took a job straight into the legal and compliance team did he?

40 MR CONNOLLY: Yes.

MS CAHILL: And what do you understand the legal and compliance team at Perth  
Casino to do?

45 MR CONNOLLY: In terms of gaming regulation or in broader terms?

MS CAHILL: Well, let's break it down in broad terms first.

MR CONNOLLY: I understand that they have responsibilities for broad compliance functions, that is things like insurance, other things besides gaming but they also help the gaming operational areas in the preparation of submissions and other material  
5 that will be submitted to the department and ultimately GWC.

MS CAHILL: You spoke a little while ago about the casino manuals with which ---

MR CONNOLLY: Yes.  
10

MS CAHILL: --- the Perth Casino has to comply. And is it the case that the compliance team is involved in facilitating modifications to the regulatory requirements imposed by the regulator?

15 MR CONNOLLY: Yes, it is. Yes, it is.

MS CAHILL: And obviously changes to regulatory requirements can be the increasing of regulatory requirements as sought by the regulator?

20 MR CONNOLLY: Yes.

MS CAHILL: Or the relaxation of regulatory requirements, primarily as sought by Crown?

25 MR CONNOLLY: Yes.

MS CAHILL: Not invariably. There might be reasons ---

MR CONNOLLY: Yes.  
30

MS CAHILL: --- why the department or GWC because of technological advances or something like that might no longer see a need for a more restrictive regulation; would you agree?

35 MR CONNOLLY: I would agree, yes.

MS CAHILL: But by in large if there is to be a relaxation of regulatory requirement typically or in the majority of cases emanates and is initiated by Crown?

40 MR CONNOLLY: I think that is fair, yes.

MS CAHILL: And in terms --- you are aware --- I think you've mentioned this in your witness statement, you are aware of these regular operations division meetings that were held between Crown officers and officers of the department/GWC?  
45

MR CONNOLLY: Yes.

MS CAHILL: You participated in those many a time?

12:40PM

MR CONNOLLY: Yes, I did.

5 MS CAHILL: I understood from your witness statement in more recent times when you remained Chief Casino Officer and had your regulatory role as Deputy Director-General you would sort of become a less frequent attendant?

MR CONNOLLY: That's correct.

10 MS CAHILL: All right.

If we can just look at this document as an example, CRW.700.003.036\_R. These are some redacted minutes of the operations division meeting of 6 March 2020. It was at these sorts of meetings, wasn't it, these regular meetings, that there were discussions, amongst other things, about the regulatory requirements?

MR CONNOLLY: Correct.

20 MS CAHILL: And typically whether they were to be modified in any way, added to or relaxed?

MR CONNOLLY: Correct. Yes.

25 MS CAHILL: I will just ask you a question along the way, which is: is there a reason why they were, apparently looking at the insignia in the left-hand corner, created by Crown?

MR CONNOLLY: The minutes were generally kept by Crown.

30 MS CAHILL: Why was that?

MR CONNOLLY: I don't know. Historically the executive officer has been provided by Crown for those meetings.

35 MS CAHILL: And Paul, Mr Hume attended these meetings typically?

MR CONNOLLY: When he was working there, yes, he did.

40 MS CAHILL: When he was working at Crown?

MR CONNOLLY: Yes.

45 MS CAHILL: I think you say that at 117. Can you remember what Mr Hume's specific role in the legal and compliance team was?

MR CONNOLLY: In terms of job title or job role?

MS CAHILL: Both if you have it?

5 MR CONNOLLY: I can't remember the title. I thought it was Manager of Legal and Compliance. But his role, certainly in my dealings with him, was to help put together Crown submissions for all manner of things, whatever it was they wanted to be considered by the regulator.

10 MS CAHILL: Submissions to the regulator about things that they wanted considered by the regulator?

MR CONNOLLY: Yes.

15 MS CAHILL: And those submissions would be made to you?

MR CONNOLLY: They would typically be addressed to me as Deputy Director-General or in some cases as the Chief Casino Officer. Those would address the correspondence but they would go to departmental officers.

20 MS CAHILL: But then they would be carried up the line through GWC meetings?

MR CONNOLLY: Yes, they would.

25 MS CAHILL: And you would, if not always, but at least on a good number of occasions have the carriage of those matters before the GWC?

MR CONNOLLY: Yes, that's fair.

30 MS CAHILL: And advise in relation to them and make recommendations?

MR CONNOLLY: Yes, I would.

35 MS CAHILL: And, just to be clear, I should have said this about the operation's division meetings, but when Mr Hume was attending, you were also typically in attendance at the same time in those meetings?

MR CONNOLLY: Typically, yes.

40 MS CAHILL: And discussing things such as the relax or enhancement of regulatory requirements?

MR CONNOLLY: As and when required and a whole range of other things as you can see, development of site and things.

45 MS CAHILL: Commissioner, may I please tender the redacted minutes of 6 March 2020.

COMMISSIONER OWEN: Could I just see the number, please?

12:44PM

MS CAHILL: I can call it out if you wish.

5 COMMISSIONER OWEN: The minutes of the operations division meeting of 6  
March 2020 with the identifier CRW.700.003.036\_R will be admitted into evidence  
as an exhibit.

10 **EXHIBIT #CRW.700.003.036\_R - MINUTES OF THE OPERATIONS  
DIVISION MEETING DATED 6 MARCH 2020**

MS CAHILL: Thank you, Commissioner.

15 Now, can I ask about Claude Marais, who you speak of from paragraph 320, 0038.  
Now, Mr Marais is different from Mr Hume in the sense that he has never worked for  
the department.

MR CONNOLLY: That's correct.

20

MS CAHILL: And you explain how you met him in the course of your work as a  
casino --- in your casino regulatory work.

MR CONNOLLY: That's correct.

25

MS CAHILL: In about 2012. What was his job then?

MR CONNOLLY: I think as I point out there he was the manager of legal and  
compliance.

30

MS CAHILL: And when you describe him as the "manager", did you understand  
him from 2012 to have overall, amongst other things, of course, overall responsibility  
for compliance with the regulatory regime you were primarily responsible for  
implementing on behalf of GWC and the department?

35

MR CONNOLLY: No, I don't think he had overall responsibility for that. I think his  
role was more around providing advice to others who had that responsibility in  
different areas.

40 MS CAHILL: All right. And he usually attended operations division meetings?

MR CONNOLLY: Yes.

MS CAHILL: And that remains the position today?

45

MR CONNOLLY: I believe so.

MS CAHILL: Through 2012 to now ---

MR CONNOLLY: Certainly up until the last time I attended an operations meeting.

5

MS CAHILL: Yes, it's asking you a bit much to give evidence about what is happening there now. I understand that.

10 Paragraph 319, page 0034, you explain you have gone fishing for crayfish with Mr Marais since 2013.

MR CONNOLLY: I think about 2013.

MS CAHILL: Each year during the crayfishing ---

15

MR CONNOLLY: Yes.

MS CAHILL: That is a series of weeks?

20 MR CONNOLLY: Usually four or five weeks for us.

MS CAHILL: It is a couple of days a week you do that?

MR CONNOLLY: Two or three days, yes.

25

MS CAHILL: And you also mention in addition to that at paragraph 323 you had been on about four or five additional fishing trips with him over the years ---

MR CONNOLLY: Correct.

30

MS CAHILL: --- from 2015. So they are weekend trips away?

MR CONNOLLY: Yes, that's correct.

35 MS CAHILL: And you've also been out to dinner with Mr Marais and Mr Hume a handful of times, with your partners a handful of times since 2012.

MR CONNOLLY: That's correct.

40 MS CAHILL: In summary, would you describe, and I will put them together and tell me if you want me to separate them to make it easier to answer, Mr Marais and Mr Hume you would describe both of them as good friends of yours?

MR CONNOLLY: Yes, I think I would.

45

MS CAHILL: Would you describe them as close friends?

MR CONNOLLY: I wouldn't describe them as close. I see them regularly, but

infrequently. I would say good friends.

MS CAHILL: Would you describe them as long-standing friends?

5

MR CONNOLLY: Certainly Paul, I would.

MS CAHILL: But not Mr Marais?

10 MR CONNOLLY: I see Claude infrequently, I would consider him a good friend, yes, but.....

MS CAHILL: You make the point in your witness statement that you didn't hide these friendships from the department and were quite open and transparent about discussing them, those friendships including with each of the Director-Generals under which you served.

15

MR CONNOLLY: That's correct, yes.

20 MS CAHILL: So that is Mr Sargeant and Mr Ord?

MR CONNOLLY: Yes.

MS CAHILL: And you are not suggesting though, are you, that you made declarations or notification of those friendships to those Director-Generals in the same way you did in relation to the sale of the boat or the way in which you dealt with the retirement party for Mr Hume?

25

MR CONNOLLY: I do have recollection of sending an email to Barry in or about 2012/13 about a particular weekend trip. But certainly for the others, no, I'm not suggesting that. I could have been a lot more formal than I have been.

30

MS CAHILL: So just to be clear, I'm trying to get the evidence as precisely as I can, you have a recollection of sending an email about a particular fishing trip; is that right?

35

MR CONNOLLY: I have a recollection about being asked to send him an email about that.

40 MS CAHILL: About a particular fishing trip?

MR CONNOLLY: Yes.

MS CAHILL: And that was with Mr Marais, was it?

45

MR CONNOLLY: Yes.

MS CAHILL: In about 2012 ---

MR CONNOLLY: 2012/13, somewhere around there, yep.

5 MS CAHILL: But you did not, to your recollection, send an email about the friendships with Mr Hume and Mr Marais generally?

MR CONNOLLY: I don't recall, no.

10 MS CAHILL: Or any of the other fishing trips?

MR CONNOLLY: I have no recollection of those, no. I do recall talking to Barry about those. Obviously Barry has knowledge of those friendships with Paul and Jon, more specifically because he knows Paul and Jon and they worked in the department as well. So I have talked to him about those, but absolutely not formerly.

15 MS CAHILL: Now if we go back up to paragraph 266 at page 0029, here I think you are expressing the sentiment that you just expressed, which is that you could have been more formal in your --- and more regular in your disclosure of those friendships to the department?

20 MR CONNOLLY: Absolutely.

MS CAHILL: And you say you could have done that in a more complete way. I want to draw your attention here to the purpose for which you said you say you should have done that, and that is to avoid any allegations or perceptions of a conflict of interest with respect to your friends. Do you think now that the friendships you have with Mr Marais and Mr Hume could create a perception of a conflict of interest?

30 MR CONNOLLY: I think they could create a perception of a conflict of interest but I think that could be managed as well, so as long as the Commission is aware of those friendships, and they take those into consideration.

MS CAHILL: Now, I will come back to that point.

35 MR CONNOLLY: Yes.

MS CAHILL: Did you think at any time before this issue was raised earlier this year and became quite notorious, at any time prior to that did you think that your friendships with Mr Marais and Mr Hume could create a perception of a conflict of interest?

45 MR CONNOLLY: I thought they were sufficiently declared and known but certainly hindsight is a wonderful thing and I think that I would agree now that there could be a perception of that, for sure. Did I think then?

MS CAHILL: Sorry, I don't want to conflate two points.



MR CONNOLLY: Yes.

5 MS CAHILL: One is whether you thought you had an actual perception --- whether you had a perception of a conflict of interest at the time and the second is whether you did declare it or could have declared it more fully.

MR CONNOLLY: I think there could be a perception at the time.

10 MS CAHILL: You did think that?

MR CONNOLLY: Yeah, but I also believed that I had declared it and that certainly at the time in 2012/13 that my Director-General was aware of those friendships.

15 MS CAHILL: Right. I just want to take that in stages, please.

First of all, why did you think there could be a perception of a conflict of interest at the time.

20 MR CONNOLLY: I'm friends with people from Crown.

MS CAHILL: Why does that create a perception of conflict of interest?

25 MR CONNOLLY: Again, perception is something that is personal. So I don't have a perception but I can see that other people may have a perception that there is a conflict of interest and those friendships may influence, or have the potential to influence.

30 MS CAHILL: You were in a position to influence or decide the regulatory requirements for the Perth Casino?

MR CONNOLLY: Yes.

35 MS CAHILL: And Mr Hume and Mr Marais were directly involved on behalf of Perth Casino in liaising with you and the department regarding the regulatory requirements of the Perth Casino, yes?

MR CONNOLLY: Yes.

40 MS CAHILL: And were you close friends with both of them.

MR CONNOLLY: Yes.

45 MS CAHILL: Did it occur to you at any time, until recently, that the person in the street could perceive that you might be influenced in your independent thought processes about whether to recommend, proceed with a certain course of action about whether to relax or tighten regulatory requirements with the Perth Casino because of

your friendship with those two men?

MR CONNOLLY: I don't think I gave it enough thought. I think --- I would  
5 concede that I absolutely could have done better and declared these more formally  
but, yes, it didn't occur to me.

MS CAHILL: But your reflection now ---

10 MR CONNOLLY: Yes.

MS CAHILL: --- is to do with something that has occurred to you that the person in  
the street might think that that close friendship could influence you to make decisions  
that would make life easier, rather than more difficult for your friends in relation to  
15 the regulatory requirements.

MR CONNOLLY: Yes.

MS CAHILL: In Perth Casino; is that fair?  
20

MR CONNOLLY: That's fair.

MS CAHILL: And that occurs to you now?

25 MR CONNOLLY: Absolutely.

MS CAHILL: And didn't occur to you at the time?

MR CONNOLLY: Again I declared that to my manager and if it would have  
30 occurred to him I would have thought he would raise that with me as well but, again  
---

MS CAHILL: Talking about as you are sitting here today ---

35 MR CONNOLLY: Yep.

MS CAHILL: --- reflecting with that wonderful hindsight that we all have after the  
event ---

40 MR CONNOLLY: Yes.

MS CAHILL: --- do you characterise it as a perceived conflict of interest or an  
actual conflict of interest?

45 MR CONNOLLY: I characterise it as a perceived conflict of interest because that  
friendship has not influenced any decisions I've made, I don't believe.

MS CAHILL: How do you know, Mr Connolly?

MR CONNOLLY: How do I know?

MS CAHILL: Yes.

5

MR CONNOLLY: Because they were things that I would have done and I don't think I've allowed that to happen. I think the records of the types of decisions that have been made with the Gaming and Wagering Commission would show that, on balance, there is a balance; there is a balance of things that I've supported and I've articulated an argument why I've supported them and things I haven't supported from Crown. And again I have articulated the argument why I haven't supported them. I don't necessarily agree with everything Crown puts in front of us.

10

MS CAHILL: How can you be so sure sitting here now that you have never been influenced in your role as regulator by your friendship with Mr Hume or Mr Marais or both?

15

MR CONNOLLY: I guess I can say I've never knowingly been influenced and I'm still not aware of any influence that has been exerted on me. And I don't think they try to exert influence on me.

20

MS CAHILL: Well, they might not even try to exert influence on you. It might be you just subconsciously want to do right by your friends. That is possible, isn't it?

MR CONNOLLY: No, I don't think so. Doing right --- no, I don't think that is possible.

25

MS CAHILL: Imposing --- sorry, I beg your pardon. You go.

MR CONNOLLY: No.

30

COMMISSIONER OWEN: Please finish if you were mid-sentence.

MR CONNOLLY: Yeah, I don't think that is right that they --- I am conscious of that friendship and I am conscious of my role when I'm providing the Commission with advice. I provide them with the best advice that I can provide them and I will always articulate to them the reasons why I think a position, try to, why a position is the right position and not and why something is the wrong way to go. You are talking about influence and whether I know, well, I don't, I'm not knowingly aware of any time that they have influenced me. It's not something that I am conscious of. Maybe they have but I don't believe so.

40

MS CAHILL: Has it occurred to you that that is why the Code of Conduct is expressed to extend to the need to identify, declare and manage perceived conflict of interests?

45

MR CONNOLLY: I have declared those perceived conflicts of interest.

MS CAHILL: It is a slightly different question.

MR CONNOLLY: Yes.

5

MS CAHILL: Just in terms of your confidence that you have never acted under the influence of your friendship in your regulatory role, has it occurred to you, again now looking back, that that is the reason why the Code of Conduct extends to identifying, declaring and managing perceived conflicts? Ones that look like they could be even if you don't feel they are?

10

MR CONNOLLY: Not until --- not without the benefit of hindsight.

MS CAHILL: Does it occur to you now?

15

MR CONNOLLY: It occurs to me now.

MS CAHILL: Now, you talk about having declared the friendships.

20

MR CONNOLLY: Yes.

MS CAHILL: Can you just explain how you declared them?

25

MR CONNOLLY: So they would be in conversations with Barry. Predominantly these were Barry, more before the machinery of government changes. So I would tell Barry about these things. Whether I told him about every one, I seriously doubt that, but I would have told him on regular occasions what I was doing.

30

MS CAHILL: Give us an example of a conversation you had with him about these friendships?

MR CONNOLLY: So, weekend fishing trips I would see Barry and say, "just so you are aware, this is what I'm doing."

35

MS CAHILL: Anything else?

MR CONNOLLY: Again I do recall him asking me to send him an email at one point just to have a record of that. I have a recollection of that conversation. I can't find the evidence of the email. I have looked.

40

MS CAHILL: Otherwise it was just verbal?

MR CONNOLLY: Verbal, yes.

45

MS CAHILL: That you were going on a fishing trip?

MR CONNOLLY: That's right.

MS CAHILL: With Mr Marais?

MR CONNOLLY: That's right.

5

MS CAHILL: Now, in relation to Mr Hume and Mr Marais, separately from the fishing trips, you were good friends?

MR CONNOLLY: Yep.

10

MS CAHILL: Did you ever --- you never put in writing that you were good friends to the Department that you were good friends of either of these men?

MR CONNOLLY: No, I don't believe so.

15

MS CAHILL: Did you ever verbally tell either Director-General that you were good friends of these men?

MR CONNOLLY: Yes. Certainly Barry.

20

MS CAHILL: Just tell me about an example --- more than one conversation?

MR CONNOLLY: More than one conversation.

25

MS CAHILL: Give me an example of a conversation you had about that?

MR CONNOLLY: That would be the same thing. Barry would --- Barry was the Director-General for 25 years. He knew these people and he knew the relationships in the department. So he knew that I was good friends with Paul and Jon and I would have told him that when we were going on these trips that included Claude; I was friends with Claude.

30

MS CAHILL: I'm not talking about the fishing trips, I'm talking about the friendships.

35

MR CONNOLLY: Predominantly, they were when I saw these people. I didn't --- apart from the odd birthday and dinner over a 12-year, 10-year period, whatever it is, I didn't socialise with them on any sort of continuous regular basis. I saw them in work settings.

40

MS CAHILL: They were good friends, Mr Connolly, weren't they?

MR CONNOLLY: I would consider them to be good friends, yes.

45

MS CAHILL: And you saw them every month at operational division meetings?

MR CONNOLLY: I did.

MS CAHILL: Without rehearsing, you discussed at those times the regulatory toing and froing between Crown and regulator?

5 MR CONNOLLY: "Without rehearsing", what do you mean, sorry?

MS CAHILL: I meant without repeating myself?

MR CONNOLLY: Oh, okay, yes.

10

MS CAHILL: You agree with that?

MR CONNOLLY: Yes.

15 MS CAHILL: So, if I just take a step back, would you accept the correctness of this proposition: you can go on a fishing trip with people you hardly know and never see them again and that may or may not have any relevance to the declaration of conflict of interest; would you agree?

20 MR CONNOLLY: Yes.

MS CAHILL: The real issue here is that these chaps were your good friends.

MR CONNOLLY: Yes.

25

MS CAHILL: And that you never declared in writing?

MR CONNOLLY: Well, I'm not saying I didn't, I may have, I just haven't been able to find the evidence of that at the moment, unfortunately for me.

30

MS CAHILL: Commissioner, just to finish off noting the time, when you had these conversations with Mr Sargeant, specifically about the friendships, did you specifically say, "I am telling you that I am good friends with Mr Marais because it is relevant to whether I have an actual perceived conflict of interest"?

35

MR CONNOLLY: No, I wouldn't have framed it that way.

MS CAHILL: Did you name Mr Hume or Mr Marais in those conversations? And there was no discussion raised by Mr Sargeant about an actual perceived conflict of interest in maintaining those friendships and your role in the regulator at the same time?

40

MR CONNOLLY: No.

45 MS CAHILL: And did you make any such disclosures to GWC?

MR CONNOLLY: No.

01:02PM

MS CAHILL: I can leave it there for the moment.

COMMISSIONER OWEN: Thank you. We will resume at 2 pm.

5

**ADJOURNED**

**[1:02P.M.]**

10 **RESUMED**

**[2:00P.M.]**

COMMISSIONER OWEN: Please be seated. Thank you, Mr Connolly. Yes, Ms Cahill.

15

MS CAHILL: All good, Mr Connolly?

MR CONNOLLY: I'm good.

20 MS CAHILL: So we were talking before lunch about the declaration of the friendship and I was putting to you about making a declaration in writing. I think you and I were both operating on the unspoken assumption that I was talking in the period up to the end of last year?

25 MR CONNOLLY: (Nods head).

MS CAHILL: All right. You did make a written declaration in October/November of last year?

30 MR CONNOLLY: That's right, yes.

MS CAHILL: First of all, if we could look in order at the minutes of the GWC meeting of 27 October 2020, that is GWC.0002.0016.0333. And we see here some redacted minutes of the GWC, 27 October 2020. And at number 2, the unredacted part, or item 2, Deputy Director-General, that is you?

35

MR CONNOLLY: That's correct.

MS CAHILL: Who attended the meeting?

40

MR CONNOLLY: That's correct.

MS CAHILL: Disclosed a friendship with Mr Marais and another member disclosed a relationship as well.

45

Can I ask you, did you make that disclosure of your own volition or because you were requested to?

MR CONNOLLY: No, of my own volition.

MS CAHILL: Why?

5

MR CONNOLLY: Because Claude was coming to a Gaming and Wagering Commission meeting, and that hadn't happened previously. Or if it had, very infrequently and I thought it was appropriate that I told new members of that relationship.

10

MS CAHILL: So, why did you make that disclosure to the GWC then in that formal way?

MR CONNOLLY: Because he was coming to that meeting so I wanted the members to know at that meeting that I had a relationship with him.

15

MS CAHILL: Why did you think it was important for them to know that?

MR CONNOLLY: I don't --- I thought it was relevant for them to know. He was coming to make presentations and submissions and was acting instead of Joshua Preston, who is was the Chief Legal Officer. I thought it was important that as he was making those presentations that they knew I had a friendship and a relationship with him.

20

MS CAHILL: Why did you think it was important they know that?

25

MR CONNOLLY: So they wouldn't perceive any conflict.

MS CAHILL: Why did you think absent your disclosure they might perceive a conflict?

30

MR CONNOLLY: I thought it was the right thing to do for them to know I was a friend of Claude's.

MS CAHILL: I'm trying to understand why you thought that, Mr Connolly?

35

MR CONNOLLY: Umm..... Honestly, I don't know what to tell you. At that time that because Claude was coming it was right for me to declare I had a relationship with him so they were at least aware that friendship existed.

40

MS CAHILL: And was that because you had an appreciation that it could be perceived that you might treat Mr Marais and the things he was saying differently if he were your friend rather than if he were somebody at arm's length from Crown that you were dealing with in a professional capacity?

45

MR CONNOLLY: Yeah, I think that is part of it but it was also for me an escalation of Claude's role within Crown. He was dealing with the Gaming and Wagering



Commission and he was coming to make a formal presentation to the Commission.

5 MS CAHILL: Thank you, Mr Connolly. I tender those redacted minutes, Commissioner.

COMMISSIONER OWEN: Can you read the number out again, please?

10 MS CAHILL: It is the minutes of 27 October 2020, the number is GWC.0002.0016.0333. I'm not sure --- it doesn't carry an underscore R.

COMMISSIONER OWEN: Excuse me. The redacted minutes ---

15 MS CAHILL: Sorry, Commissioner, can I just interrupt. I apologise, I'm told that it is important that I add underscore 0001 to the end of the number.

20 COMMISSIONER OWEN: The redacted minutes of the GWC meeting of 27 October 2020, bearing the document identifier number that Ms Cahill has just read out will be admitted as an exhibit.

**EXHIBIT #GWC.0002.0016.0333\_R - REDACTED MINUTES OF GWC MEETING DATED 27 OCTOBER 2020**

25 MS CAHILL: I think I'm being told another story that the baits number needs to be as I apprehended, GWC.0002.0016.0333\_R.

30 COMMISSIONER OWEN: Thank you.

MS CAHILL: Now, another document to tend are, MCN.0002.0001.0004. That is, Commissioners, you will recognise that as an annotated version of annexure B to Mr Connolly's witness statement. I tender that document.

35 COMMISSIONER OWEN: The annotated version of an email from Mr Connolly to Mr Sargeant dated 13 October 2015 and bearing the identifier number MCN.0002.0001.0004 is admitted into evidence as an exhibit.

40 **EXHIBIT #MCN.0002.0001.0004 - ANNOTATED EMAIL FROM MR CONNOLLY TO MR SARGEANT DATED 13 OCTOBER 2015**

45 MS CAHILL: Thank you, Commissioner. I call up document MCN.0002.0001.0002. Can we shrink that document a little so Mr Connolly can see it as a whole, please. Now, do you recognise this document, Mr Connolly? I'm not showing you the whole thing, there is also a back page as well.

MR CONNOLLY: I do.

5 MS CAHILL: And if we just drop down or turn over to the back page, is that your signature there?

MR CONNOLLY: It is.

10 MS CAHILL: Above the date of 17 November 2020?

MR CONNOLLY: It is.

MS CAHILL: Did you fill out this form?

15 MR CONNOLLY: Yes, I did.

MS CAHILL: If we just go back up to the first page, please. This declaration of conflicts of interest form is that a pro forma document or template document that has been in existence in the department for years or only recently?

20 MR CONNOLLY: I think this form is an annexure to the most recent conflict of interest policy.

MS CAHILL: Which dates from?

25 MR CONNOLLY: 2019, 2020.

MS CAHILL: Understand.

30 And did you fill this declaration form out of your own volition or at the request of somebody?

MR CONNOLLY: I believe that following the Gaming and Wagering Commission meeting the Director-General suggested I fill this form --- this document out.

35 MS CAHILL: Flowing on from ---

MR CONNOLLY: Flowing on from that.

40 MS CAHILL: The declaration you made at that meeting?

MR CONNOLLY: Yes.

MS CAHILL: All right.

45 Now, in the box, the third row down, the conflict of interest has been identified as "an" and then you have a checker box.

MR CONNOLLY: Yes.

MS CAHILL: You checked boxes?

5

MR CONNOLLY: I did.

MS CAHILL: For perceived or potential conflict?

10

MR CONNOLLY: I did.

MS CAHILL: You didn't tick actual?

MR CONNOLLY: I did not.

15

MS CAHILL: And, on reflection, should you have?

MR CONNOLLY: On reflection for an actual conflict I think I would have had to have done something knowingly in the interests of somebody else and I haven't done that.

20

MS CAHILL: Right. Just so we have it for the transcript, Mr Connolly, because you have done that in your own handwriting, could you please read out what you have written in the box underneath that.

25

MR CONNOLLY: Sure.

Personal relationship with Claude Marais from Crown Perth being friends and regularly fish together. For matters that may be perceived as a conflict of interest relate to issues relating to Crown that Ms Mr Marais is involved in preparing.

30

MS CAHILL: Thank you. Underneath that you identify expected roles, duties to be performed by you in dealing with this matter and you've listed there "Deputy Chair GWC and Deputy Director-General and Chief Casino Officer".

35

MR CONNOLLY: All of them, that's right.

MS CAHILL: Coming back to the explanation of the personal relationship, the way you have articulated it there, do I understand correctly that you perceived that to be something that should be declared to whom?

40

MR CONNOLLY: Well, in this case to the Gaming and Wagering Commission but also to the department.

45

MS CAHILL: Right.

MR CONNOLLY: So to both.

MS CAHILL: It says at the top this forms ---

MR CONNOLLY: Department.

5

MS CAHILL: --- department. So it is a declaration to the department?

MR CONNOLLY: Yes.

10

MS CAHILL: As well as the GWC?

MR CONNOLLY: Well, I think I did the GWC declaration verbally at the meeting. I'm actually not aware that there is a GWC form for this but this is the department one.

15

MS CAHILL: Right. And just so I'm clear, did you really mean to formalise your declaration to GWC by completing this document?

20

MR CONNOLLY: That would have --- that is the intention that I had as well, yes. And also to tell the Director-General.

MS CAHILL: Why, the Director-General?

25

MR CONNOLLY: So I had covered both the department and the Gaming and Wagering Commission with the declaration.

30

MS CAHILL: Right. So when you made the declaration to cover the bases, as it were, with the department, did it give you cause to reflect on whether you ought to have made a more formal declaration at an earlier point in time about that friendship to the department?

35

MR CONNOLLY: It was a bit late in November 2020 to think about that but certainly I think I could have done much better. I think I've said that earlier on. I could have done that. With reflection and hindsight, I would have done that, yes.

40

MS CAHILL: Now, let's imagine that you had at some point before 2020, how would you envisage that the conflict could have been managed, first of all in relation to Mr Hume, secondly in relation to Mr Marais?

45

MR CONNOLLY: Well, I think they probably --- there is probably no difference between the two in how they would have been managed that. Would be up to my manager or the Gaming and Wagering Commission. But I think they would have --- I think, and we are talking hypothetically here, I think they would have been satisfied with the declaration and understanding that relationship. I don't think they would have excluded me from anything but that is probably a discussion for the GWC members rather than me. I think they would have been happy with the declaration.

MS CAHILL: And you don't think that they might have --- that the management of the conflict might have involved, for example, somebody else reviewing your recommendations or decisions?

5

MR CONNOLLY: I don't think so but again that is hypothetical. I don't know what is in the mind of every commission member but I don't think so.

10 MS CAHILL: Just taking it away from you and speaking more generally about the department, you mention in your witness statement to the effect, I think these are more my words than your words exactly, that you know people working in the department in areas related to casino regulation who have partners, friends or family also working at Crown.

15 MR CONNOLLY: Or have had, yes.

MS CAHILL: Do you mean working at Crown in the area of regulation?

20 MR CONNOLLY: In areas that are regulated, yes. Not in the areas of regulation itself, in areas that are regulated.

MS CAHILL: You mean like croupiers?

25 MR CONNOLLY: That's what I mean, yes.

MS CAHILL: About how many are you talking?

30 MR CONNOLLY: I don't know. I know of a couple of examples, maybe two or three.

MS CAHILL: Does that include casino inspectors?

MR CONNOLLY: As?

35 MS CAHILL: Those people who have a relationship with somebody working at Crown?

MR CONNOLLY: Yep.

40 MS CAHILL: And have you ever had a concern in your mind about a casino inspector carrying out their function of inspecting, an activity that is regulated, when they have a friend, family member or similar working in the regulated area?

45 MR CONNOLLY: No, I haven't. I would expect that they would advise a supervisor, a senior inspector or a director if that has occurred. And I'm not aware that it has. But there are other controls in place as well and people in those activities don't have any real ability to influence decisions or casino inspectors in any way, shape or form I wouldn't have thought.

MS CAHILL: They have to prepare reports?

5 MR CONNOLLY: Casino inspectors would prepare reports of audits and inspections, yes.

10 MS CAHILL: But a casino inspector, for example, conducting a physical inspection of how games are played or supervised and they've got a relative who is actually a croupier, is that --- does that raise any concern for you?

15 MR CONNOLLY: I'm not aware that that has actually happened. My expectation would be that someone wouldn't audit their relative.

MS CAHILL: Could you say that again, please?

15 MR CONNOLLY: I would have an expectation that someone wouldn't audit their relative, but there is no policy or position around any of that.

20 MS CAHILL: When you say you have an "expectation", are you saying it would be inappropriate for an inspector to inspect, audit or report upon the performance of the conduct of a Crown employee who was a relative of theirs?

25 MR CONNOLLY: "Inappropriate" --- I think it would be better for that not to happen. And if it was happening, if they were allocated a task that required that, I would think that they would advise the senior inspector and somebody else would do that. Again, I'm not aware that that has happened.

30 MS CAHILL: And there is no requirement for casino inspectors to do so, I understand from your answer?

MR CONNOLLY: I don't believe so, no.

35 MS CAHILL: Just a slightly different question. I have to tender this declaration form, which is MCN.0002.0001.0002, Commissioner?

40 COMMISSIONER OWEN: The declaration of conflicts of interest form dated 17 November 2020 with the document identifier MCN.0002.0001.0002 is admitted into evidence as an exhibit.

**EXHIBIT #MCN.0002.0001.0002 - DECLARATION OF CONFLICTS OF INTEREST FORM DATED 17 NOVEMBER 2020**

45 MS CAHILL: Your Honour, I call up now MCN.0002.0001.0001, which is a related document. That's the covering email for the conflict of interest declaration form for the Commissioners. I tender that.

COMMISSIONER OWEN: The document which is an email with the document identifier, MCN.0002.0001.0001 is admitted into evidence as an exhibit.

5

**EXHIBIT #MCN.0002.0001.0001 - COVERING EMAIL FOR CONFLICT OF INTEREST DECLARATION FORM**

10 MS CAHILL: Thank you, Commissioner.

Now, a slightly different question, Mr Connolly, or series of questions about casino inspectors with reference to page 31 of your witness statement. That is 0031, paragraphs 281 (inaudible). Do you have that in front of you on the screen? So, here, as I understand it, you are making a point about the practical reality of casino inspectors employed over the longer term, becoming familiar with Crown employees who they see on a very regular basis through their inspection audit programs, is that -  
--

20 MR CONNOLLY: That is essentially what I'm saying, yes.

MS CAHILL: And you say that there is necessarily a familiarity that builds up over time between Crown employees and department employees.

25 MR CONNOLLY: Yes.

MS CAHILL: Because of the time they spend working together?

MR CONNOLLY: Yes.

30

MS CAHILL: And that leads to friendships developing in a number of cases of which you are aware; is that right?

MR CONNOLLY: Yes, that would be right.

35

MS CAHILL: And would you be able to put a --- because you've been in the casino regulation area for so long, could you give us some kind of indication of just how frequent this problem is?

40 MR CONNOLLY: In more recent times, so post 2015, I don't think it is quite as frequent as in the past, but certainly in the earlier days of my career at Crown, in the early '90s, it would be very frequent. Most inspectors I would suggest would have had friendships with people who would work at Crown.

45 MS CAHILL: All right.

MR CONNOLLY: Existing and new friendships. So, you know, you do come

across people that you've already known who work at Crown. So they form friendships as well.

5 MS CAHILL: And you mention 2015 as where the incidence of this happening has decreased. Is that because there is a less of a physical presence of inspectors at the casino now?

10 MR CONNOLLY: I have no data to support this, but I'm suggesting that they are not there all the time, they go there for the purpose of audit and inspection.

MS CAHILL: So they spend less time together?

15 MR CONNOLLY: They spend less time together. When they are together, they are there for a purpose and they leave.

MS CAHILL: Do you consider such friendships should be declared by the casino inspectors when they are formed?

20 MR CONNOLLY: It's a very difficult thing because I think realistically some couldn't be perceived as a conflict, even potentially as a conflict, depending on the position that the casino employee is in. It would be a case-by-case determination I think.

25 MS CAHILL: As to whether they were in effect inspecting and auditing their friend?

MR CONNOLLY: Yeah, or whether they were inspecting and auditing someone who would constitute a conflict of interest or be a problem in that way.

30 MS CAHILL: Have you ever turned your mind as to how that could be managed?

MR CONNOLLY: No, not really. Declaration I think is the best way and regularly declare.

35 MS CAHILL: Right. At paragraph 290 of your witness statement, page 31, it is the little lead in to that paragraph where you talk about if you work in casino regulation or you work in the casino operations you develop a degree of specialised knowledge in relation to casino regulation.

40 MR CONNOLLY: Yep.

MS CAHILL: And that then --- and casino operations?

45 MR CONNOLLY: Yep.

MS CAHILL: And that has led, over the years as you've witnessed, to Crown employees moving to the department and department moving to --- department officers moving to Crown as employees?



MR CONNOLLY: It has, that's right.

5 MS CAHILL: And you say that you understand that there is no prohibition on that occurring. Do you consider there should be?

10 MR CONNOLLY: No, I don't think so. Not necessarily. I don't know what that changes. I know that in other jurisdictions there are --- for regulators there are a --- generally a 12-month period where you can't go and work for a casino licensee, but I don't know what that changes necessarily. It puts 12 months worth of time between the two jobs that they've taken, but does it change anything? I don't think so.

15 MS CAHILL: Well, what about something like if you are a department officer involved in casino regulation, particularly at the policy level, you move across to Crown and you might have internal information and knowledge about the direction where regulation approach and policy is heading and you could influence how Crown reacts to that? Is that something that would cause you concern?

20 MR CONNOLLY: Probably not necessarily because in terms of policy decisions like that we would consult with Crown anyway so they are going to find out about it through a process of consultation anyway.

25 MS CAHILL: Now, you don't hold the position of Chief Casino Officer at the moment, do you?

MR CONNOLLY: No, I don't.

MS CAHILL: Do you remain Deputy Chairperson of the GWC?

30 MR CONNOLLY: I am not aware that that has been revoked or rescinded in any way.

MS CAHILL: So perhaps you do?

35 MR CONNOLLY: As far as I'm aware, I am.

MS CAHILL: Do you remain Deputy Director-General of the department?

40 MR CONNOLLY: I'm not performing that role but I'm not aware that I have been removed from that position at all.

MS CAHILL: And do you know if your delegations from the GWC are still in place in respect of your role as Deputy Chairperson and Deputy Director-General?

45 MR CONNOLLY: I don't know, I have not been advised.

MS CAHILL: Do you have any regulatory role which you retain at the moment as

Deputy Director-General?

MR CONNOLLY: No, I'm currently working on a single project.

5

MS CAHILL: And how long is that expected to last?

MR CONNOLLY: I think that was given to me on a six-month basis so I don't know what is happening after that.

10

MS CAHILL: And this is developing a banned ---

MR CONNOLLY: Banned drinkers register and takeaway alcohol management system, that's right.

15

MS CAHILL: Which department are you doing that for?

MR CONNOLLY: Department of Local Government Sport and Cultural Industries.

20

MS CAHILL: And who are you reporting to in that role?

MR CONNOLLY: Director-General.

25

MS CAHILL: In terms of the --- I'm trying to find neutral language to use here, the relinquishment of your role as Chief Casino Officer, how was that affected? How did it happen?

30

MR CONNOLLY: It was a conversation about what was an appropriate way forward after media articles and I agreed to step aside from that position. Now, how that was affected formally, I don't know I agreed to that.

MS CAHILL: Who was the conversation with?

35

MR CONNOLLY: Director-General?

MS CAHILL: Mr Ord?

MR CONNOLLY: Mr Ord, yes.

40

MS CAHILL: And which you tell me when you had that conversation?

MR CONNOLLY: No. Shortly after the media articles so I am guessing here but I think it would be early March.

45

MS CAHILL: So is your evidence that there were articles actually published in the newspaper and then you had a conversation with Mr Ord about no longer being Chief Casino Officer?

MR CONNOLLY: That's my recollection, yes.

5 MS CAHILL: And what was --- did you discuss why you should step aside because of those media articles?

10 MR CONNOLLY: We had a discussion, yes. I don't recall the complete --- what we actually talked about but I'm sure we got to the determination that my position was untenable until this matter was resolved.

MS CAHILL: Did you think your position was untenable?

15 MR CONNOLLY: I thought it would make it easier on everybody if I did step aside until that matter was involved.

MS CAHILL: I want to change topics and not talk about conflict of interest. I want to talk about regulatory policy. And also talk a bit about junkets.

20 If I can return you to paragraph 115 of your witness statement at page 0014. I appreciate that you are talking about here policies in relation to how the Chief Casino Officer performs their role, but I want to look at the paragraphs between 115 and 119. If you can pop that paragraph back in and enlarge the page. Thank you. You see at 116 you are talking about GWC policies being largely aimed at external parties are you referring there to the sorts of policies contained in the casino manuals?

25 MR CONNOLLY: No, there I am referring to policies that are targeting --- more targeting external regulated entities, so policies that relate to community gaming, again how to conduct bingo, continuing poker and those sort of events.

30 MS CAHILL: I see.

MR CONNOLLY: There are no commission policies relating to the casino itself, as far as I'm aware. They are captured.

35 MS CAHILL: I see. You remember we were talking about the casino or casino manuals earlier today before lunch ---

MR CONNOLLY: Yes.

40 MS CAHILL: --- do the manuals contain anything about procedures for junket operations?

MR CONNOLLY: They do.

45 MS CAHILL: And can you tell me in broad form what they are?

MR CONNOLLY: They are very limited. So they will have details of what the casino licensee will do in terms of checks for players and also details of the

Commission programs that junket operators can participate in.

5 MS CAHILL: Right. I don't know what they hear about the latter, but the checks for players, can you recall, I appreciate it could be hard without access to the manuals themselves, but can you just recall as best you can what kinds of checks the casino operator is required to undertake?

10 MR CONNOLLY: In accordance with the manual I believe it is world checks.

MS CAHILL: What?

15 MR CONNOLLY: World checks. I think that is what it is called. It is an external consulting company that will do financial and other checks on people.

MS CAHILL: For what purpose?

20 MR CONNOLLY: See if they are able to pay their debts and they are of --- I believe it also looks at their reputation and criminal history if that's available. It is background checking for those players to satisfy the casino licensee rather than the regulator.

25 MS CAHILL: Now, just on junkets, if we can go to page 0021 and begin at paragraph 183, please, you begin to discuss junket operations here in your witness statement. At 184 you say:

30 *Historically the GWC and government more generally, took the view that it was important to know who was conducting junket operations for probity reasons..... A couple of questions arising out of that. First of all, when you talk about "government" there, are you referring to the department?*

35 MR CONNOLLY: I guess government more generally because they are in regulation so they have to be approved by the ministers. So the requirements were in regulation.

MS CAHILL: Right. Now those regulations in relation to junkets were introduced in 1999 you will recall?

40 MR CONNOLLY: I don't recall, but, yes.

MS CAHILL: Do you recall any view before those regulations were introduced, I can tell you in about 1999, about whether junket operations needed to be regulated for probity reasons?

45 MR CONNOLLY: Honestly, I can't recall, no.

MS CAHILL: When you were a casino inspector in the 1990s?

MR CONNOLLY: No, I don't recall.

5

MS CAHILL: And when you refer to "probity reasons" there, "amongst others", are you referring to an acknowledged correlation between junket operators and risk of criminal association and money laundering?

10

MR CONNOLLY: Certainly whether junket operators came in and the regulations were in place, they were required to provide police clearance certificates, Australian national and overseas clearances as well. That was part of the probity requirement for a junket operator.

15

MS CAHILL: Yes, but why they rather than any person who walked through the door of a casino were required to have these checks was because the view was at the time, as far as you were aware of it, within the GWC and government, was that there was an understood correlation between junket tour operations and the risk of criminal association with those operations and the risk of money laundering associated with those operations?

20

MR CONNOLLY: That's not how I understood it. The view there was --- my view as a level 3 casino inspector would be because that's what was in the regulations. I wouldn't have correlated that with money laundering or criminal activity. I was working on requirements in the regulations.

25

MS CAHILL: All right. Did you ever get to the view yourself where there was an association between junket tour operators and the risk of money laundering or criminal infiltration?

30

MR CONNOLLY: I got to the view that they were --- that the people that were coming into the casino as part of junkets, as part of organised junket play and VIP play were very high wealth individuals, influential individuals and there probably wasn't getting a great deal of value in getting certificates from their country of origin because they could probably procure those through any other means other than law enforcement.

35

MS CAHILL: Did you come to the view that there was an association between junket tour operators and the risk of money laundering or criminal infiltration of those tours?

40

MR CONNOLLY: No, I never came to that.

MS CAHILL: You've never had that view?

45

MR CONNOLLY: Obviously in more recent times those things have been highlighted but as a government casino inspector, we don't have access to that sort of information.

MS CAHILL: So, "in recent times", since when?

5 MR CONNOLLY: 2019 through the mid-year inquiries. We don't --- we've never done probity on the junket players. We don't do probity on players. Operators have been the ones we do probity.

10 MS CAHILL: But not for reasons related to risk of money laundering or criminal activity?

MR CONNOLLY: I don't believe so. I don't believe so.

15 MS CAHILL: So when you refer at 185 to is this GWC undertaking its investigations, when probity considerations were to the fore as you've described them then GWC sought input from WAPOL. What I want to ask you there is, why are you focused on GWC rather than the department?

20 MR CONNOLLY: Because that was --- they were Gaming and Wagering Commission regulations and they were --- that was the Gaming and Wagering Commission. The department did this but --- I'm not sure I get where you are going with the question.

MS CAHILL: I probably just want you to answer it, really.

25 MR CONNOLLY: Yes.

30 MS CAHILL: You've been very clear in your evidence that the majority of your work performed as a casino regulator was in your capacity as Deputy Director-General of the department.

MR CONNOLLY: Yep.

35 MS CAHILL: Your role in relation to GWC and Chief Casino Officer, Deputy Chairperson.

MR CONNOLLY: Yes.

40 MS CAHILL: So here when you talk about junket operations, you talk about GWC. Was it GWC who was in fact regulating junket tour operators to your knowledge after 1999 or was it the department?

MR CONNOLLY: On behalf of. I believe it was the department on behalf of. I've probably worded that incorrectly.

45 MS CAHILL: Department on behalf of because GWC was the one to promulgated the regulations?

MR CONNOLLY: Yes, and the GWC doesn't have any of its own resources to actually do these things. They were done by officers of the department, who are authorised officers of the Gaming and Wagering Commission.

5

MS CAHILL: Going back to what we were talking about before lunch, so all the decisions that the GWC made in meeting and so forth that you gave effect to ---

MR CONNOLLY: Yes.

10

MS CAHILL: --- they were decisions that you implemented on behalf of GWC as an authorised officer of GWC?

MR CONNOLLY: Depending on the circumstances. I mean, I'm doing things --- I'm doing things as the Deputy Director-General with the delegated powers given to me by the GWC. And I'm instructing officers of the department. I don't have the ability to instruct officers of the department as an authorised officer, but I do as the Deputy Director-General.

20 MS CAHILL: Right.

Point of clarification: you have GWC undertaking its investigations and then providing information to WAPOL who would then inform GWC if a tour operator had any concerns.

25

MR CONNOLLY: If they had concerns, yes.

MS CAHILL: I see. And at 187 ---

30 MR CONNOLLY: I believe at the time what was asked for was an opinion from the Commissioner of Police.

MS CAHILL: All right. Now, 187, you talk about the system having certain benefits. And if we go over the page, I just want you to explain a term you use:

35

*..... inspectors, who were at that time based permanently at the Casino, to attend and witness junket buy-ins....."*

Can you explain what that is?

40

MR CONNOLLY: A junket operator would come into the casino with an amount of funds that they were going to use for junket play. They would buy-in. That is, they would put that money in the casino cage and in exchange for that they would get what was called a chip purchase voucher. They would use that chip purchase voucher at a table to be given chips. They were given a different set or different stock of chips to normal players. So normal chips are referred to as cash chips. They use non-negotiable chips. So those chips were used to be able to track their turnover for the purposes of calculating commission payable to junket operators.

45

MS CAHILL: I see.

5 Now, at 188 you mention, if we can bring 188 forward, that the GWC stopped approving junket operators in 2009 or 2010. You expressed that as your understanding because you were actually at Fisheries at this time ---

MR CONNOLLY: At fisheries, correct.

10 MS CAHILL: --- and had no involvement or input into the decision?

MR CONNOLLY: Not that I recall.

15 MS CAHILL: Now, at 191 --- sorry, 189 to 191, you give, as I understand, an explanation of why you think the regulations were repealed.

MR CONNOLLY: Yes.

20 MS CAHILL: Do I understand this correctly, your agreement with that decision?

MR CONNOLLY: Yes, you do. I agree with that decision, yes.

25 MS CAHILL: That culminates at 191. In terms you are saying, well, AUSTRAC started monitoring suspicious transactions, suspicious money transactions, and as a result of that there was no added regulatory benefit to GWC monitoring junkets?

MR CONNOLLY: Yep.

30 MS CAHILL: So you understood AUSTRAC was monitoring suspicious transactions for the purpose of detecting law enforcement agencies detecting money laundering?

MR CONNOLLY: That's how I understand that, yes.

35 MS CAHILL: So did you, therefore, understand that what GWC had been doing was trying to detect suspicious transactions for the purpose of sharing that information with law enforcement?

40 MR CONNOLLY: No, I don't think I made that link, no. I don't think it was ever within the powers of the Gaming and Wagering Commission, or the capabilities of the Gaming and Wagering Commission, the Department or its officers, to detect money laundering.

45 MS CAHILL: I'm not suggesting that, Mr Connolly. You said at 191, as I understand it, that when AUSTRAC came into being and started monitoring transactions as suspicious ones to then share that information with law enforcement agencies, there was no added benefit for GWC to approve junkets.



MR CONNOLLY: And I'm talking there about probity. So there was no point to those probity considerations because if these people had gone through all these other processes then there was no added benefit to that.

5

MS CAHILL: Were just talking about AUSTRAC monitoring suspicious transactions here?

MR CONNOLLY: I am. I said it coincided with that, yeah.

10

MS CAHILL: So you still maintain that your understanding of GWC's role before this in approving junkets wasn't related to identifying suspicious transactions?

MR CONNOLLY: That's not how I understood, yes.

15

MS CAHILL: Okay.

In any event you returned in 2012 to casino regulation and you are aware then that there is no requirement for junket operators to be approved by GWC although there had previously been a requirement.

20

Now, at 193, if we can just cursor down, please, you say:

*The Department continued to commit its resources to the revenue and taxation issues that arose as a result of the junkets occurring.....*

25

By that you mean just making sure that the tax and revenue was properly accounted for?

30

MR CONNOLLY: Yes, that's correct. Because there is a lot of tax made on junket play.

MS CAHILL: And ensuring the integrity of gaming and other transactions?

35

MR CONNOLLY: Yep.

MS CAHILL: But not trying to identify suspicious transactions ---

40

MR CONNOLLY: No.

MS CAHILL: --- in a money laundering sense?

MR CONNOLLY: No.

45

MS CAHILL: And do I understand from your evidence that you say that it was appropriate for GWC to confine its focus of regulation in this way because that is

what it had the capacity to oversee?

MR CONNOLLY: And in my view that it was overseeing the gaming operations of  
5 the casino. But, again, I agree, it didn't have the capacity to do anything else.

MS CAHILL: Let's look at 196, paragraph 196. You say that you want to raise  
these two things; skills and resources at the disposal of the GWC and the legislative  
regime. Let's talk about skills and resources first. You say, well, the GWC does not  
10 have the skills or the resources to investigate money laundering, trace the proceeds of  
money laundering, detect those crimes and enforce the law?

MR CONNOLLY: That's exactly right, yes.

15 MS CAHILL: But it can do what it used to do, which was simply run some checks  
on junket operators before approving them, couldn't it?

MR CONNOLLY: It could but is anything added by I that process other than some  
additional burden and bureaucracy? I don't think there was any value in that. And  
20 I'm not aware that anything ever came from that process in terms of actionable items  
--- outcomes for the GWC.

MS CAHILL: Well, let's stay with the approval process that was in place under the  
1999 regulations which provided in terms that before a junket operator could  
25 organise a tour to Perth Casino they would need to get approval from the regulator  
and that required the provision of details such as criminal records, authorisations for  
WAPOL to access criminal databases, passport details and the like; yes?

MR CONNOLLY: Mmm.

30 MS CAHILL: That's not particularly burdensome, is it?

MR CONNOLLY: If those things are getting done as part of other checks, visa  
applications and the like, why do that twice? It's not burdensome for the for the  
35 Department, there is a cost involved to the Department and it does take some time,  
but is that a duplication of effort? I think the other part of this if I recall correctly  
was about duplication of regulatory functions at the time. So, I don't know if that's a  
duplication --- I don't know what the Commonwealth agencies do but ---

40 MS CAHILL: Well, you either understood it to be a duplication or not?

MR CONNOLLY: Well ---

MS CAHILL: Did you look into that?

45 MR CONNOLLY: No, I did not. No, I did not.

MS CAHILL: So did you discuss with WAPOL at any point after 2012 whether it

would be assisted by having the sort of information it used to have under the regulations from GWC in relation to junket tour operations?

5 MR CONNOLLY: No, I did not.

MS CAHILL: Go to paragraph 207, please. Just on this concept of duplication of resources, is it your proposition here that a decision about whether or not to grant a foreign national a visa to enter Australia is a suitable proxy for a decision about  
10 whether or not to allow them to operate or participate in a junket tour to Perth Casino?

MR CONNOLLY: Yes, that's my proposition.

15 MS CAHILL: Why do you say that?

MR CONNOLLY: Well, if they are allowed to be in the country, they are allowed to enter the country, and visit and do other things within the country, why would we stop them from --- why is there a higher standard to enter into the casino and game in  
20 the casino?

MS CAHILL: This would exclude Australian citizens or dual citizens who operate junket tours, wouldn't it, that analysis that you've just given?

25 MR CONNOLLY: Yes, perhaps it would, yes.

MS CAHILL: Does that cause you any concern?

MR CONNOLLY: No.  
30

MS CAHILL: Do you assume at the point of entry to Australia when a visa is granted that it's known to Border Force or however they are described these days that the person is organising or participating in a junket tour?

35 MR CONNOLLY: No, I don't assume that. But, again, if they are considered suitable to be in the country they've got through whatever checks they need to get through in terms of criminal history and whatever background checking is required for a visa.

40 MS CAHILL: What are those checks, Mr Connolly?

MR CONNOLLY: I don't know.

MS CAHILL: Well, wouldn't it be a good idea to find out before forming the view  
45 that granting someone a visa is a suitable proxy to determine whether they are an appropriate person to operate a junket to a Perth Casino?

MR CONNOLLY: Perhaps, yes.

MS CAHILL: Do you assume that no one let into Australia has a criminal record?

MR CONNOLLY: No, I don't assume that.

5

MS CAHILL: Or if they have any association with criminals they are not allowed into Australia?

MR CONNOLLY: No, I don't assume that at all.

10

MS CAHILL: And these views that are expressed at 207, which you consider the GWC appears to have agreed with in the past, did you ever discuss those views with WAPOL before reaching them?

15

MR CONNOLLY: No.

MS CAHILL: 208, on the same page, you then move to comments in that paragraph and following about AUSTRAC. And if we go to 209, the effect of what you are saying there is this, isn't it: that neither the GWC nor the department can obtain any relevant information from AUSTRAC about suspicious transactions?

20

MR CONNOLLY: That's how I understand it.

25

MS CAHILL: Has, to your knowledge, GWC or the department ever asked AUSTRAC to share information with it?

30

MR CONNOLLY: We have had meetings with AUSTRAC. I have been involved in meetings with AUSTRAC and asked about that process but it hasn't been pursued, no.

MS CAHILL: When were those meetings?

MR CONNOLLY: Look, I don't know, but five or six years ago.

35

MS CAHILL: And when you say that the process wasn't pursued, I might have misstated, how did you answer that question?

MR CONNOLLY: So there is a process by which we could go. So, as I understand this, we have to be recognised as a law enforcement agency and then it was explained to me by AUSTRAC representatives it was a very difficult process and they indicated that it would be unlikely to be considered by AUSTRAC as a law enforcement agency.

40

MS CAHILL: That was about five or six years ago?

45

MR CONNOLLY: About five or six years ago, yeah.

MS CAHILL: At 212 of the witness statement, what you are identifying here is that Crown has an information-sharing relationship with AUSTRAC as far as you are aware?

5

MR CONNOLLY: Yes, they do.

MS CAHILL: But that information can't be shared with the Department?

10 MR CONNOLLY: That's correct.

MS CAHILL: And at 212 you say that:

15 *I understand that where issues have been found by AUSTRAC, they have largely been addressed in a satisfactory way.*

Is what you are referring to there is where AUSTRAC has raised a concern about a transaction that involves Crown and Crown has responded to AUSTRAC?

20 MR CONNOLLY: A transaction that involves Crown or an audit of Crown. So Crown's response to the audit findings. So they have in the past attended Gaming and Wagering Commission meetings and provided briefings on those responses.

MS CAHILL: Yes. So you are hearing from Crown that it has largely addressed in a satisfactory way issues raised that have been raised with it by AUSTRAC.

25 MR CONNOLLY: Correct.

MS CAHILL: Should that be good enough for you?

30

MR CONNOLLY: Considering that again in my understanding we don't have the ability to interrogate AUSTRAC or ask Crown about its suspicious and financial transactions reporting, that was the position I took. It had to be good enough.

35 MS CAHILL: Could GWC or the Department, if adequately resourced, in your view, inspect and audit Perth Casino's cash and electronic transactions to see indicia of money laundering?

40 MR CONNOLLY: Without access to financial and suspect transaction reporting, yes, I think so.

MS CAHILL: And you could then refer any of those indicia to WAPOL for investigation?

45 MR CONNOLLY: Yes.

MS CAHILL: Is there any reason why it doesn't do that now?

MR CONNOLLY: Because we don't have the skills or resources to do that I don't believe.

5 MS CAHILL: You don't have the skills ---

MR CONNOLLY: Or the resources.

10 MS CAHILL: So, skills, people who can identify the indicia of money laundering in a set of books, is that what you are saying?

MR CONNOLLY: That's what I'm saying. Yeah, yeah.

15 MS CAHILL: And is the resources just a funding to go out and find the people who have those skills?

MR CONNOLLY: Well, yeah. Yes.

20 MS CAHILL: You don't have that funding?

MR CONNOLLY: No, don't have that funding. We have a very generic inspectorate who do a range of generic activities across a whole range of regulatory functions.

25 MS CAHILL: If we go to paragraph 218, you say that the contention popular sprouted in the media about GWC and the Department's role in ensuring money laundering does not occur is to me nonsensical. Well, nobody can ensure money laundering doesn't occur.

30 MR CONNOLLY: Agreed.

MS CAHILL: So that is nonsensical.

35 MR CONNOLLY: Agreed.

MS CAHILL: But it is not nonsensical to expect GWC to exercise its inspection powers to identify indicia of possible money laundering and then share that with law enforcement agencies, is it?

40 MR CONNOLLY: It would be a duplication of somebody else's role, I believe, but, no, it's not impossible.

MS CAHILL: Would you agree it would be entirely consistent with regulating Perth Casino in the interests of the public of WA?

45 MR CONNOLLY: Yes.

MS CAHILL: If I can just take you back to paragraph 120 of your witness statement at page 0015. You are referring here to conversations you have had yourself with

representatives of casino regulators in other jurisdictions. Do you recall that part of your witness statement?

5 MR CONNOLLY: I do.

MS CAHILL: When you interact with other casino regulators, which hat have you got on, Department, GWC, Chief Casino Officer, which hat?

10 MR CONNOLLY: Department, generally.

MS CAHILL: And you say at 122 that the common interests between regulators in the discussions you had were in respect of probity and suitability issues.

15 MR CONNOLLY: Often, yes, that's correct.

MS CAHILL: The West Australian casino regulator, I use that umbrella term to describe either the department or GWC, or both, to your knowledge, have of interest probity and suitability issues other than the circumstances in which a casino employee was to be given a licence?

20

MR CONNOLLY: Probity and suitability of Crown? As an organisation and an operator?

25 MS CAHILL: That's of interest to ---

MR CONNOLLY: Yes, it is.

MS CAHILL: --- to the regulator in WA?

30

MR CONNOLLY: Yes, it is.

MS CAHILL: How long has that been an interest for the regulator in WA?

35 MR CONNOLLY: I think probity and suitability of the operator has been an interest forever, since 1984.

MS CAHILL: And what contributions has the West Australian casino regulator made to the discussions with other jurisdictions?

40

MR CONNOLLY: In respect of the probity and suitability from time to time we have participated in joint investigations and when I say that the Commission has provided funds to help pay for joint investigations and has relied heavily on the work of other jurisdictions in considering the probity and suitability of the casino operator.

45

MS CAHILL: But not actually conducted any investigations here?

MR CONNOLLY: Not that I'm aware of.

MS CAHILL: Any reason for that?

5 MR CONNOLLY: Again, probably the skills and resources and the technical nature of those things. The Gaming and Wagering Commission has provided funds to get suitable people to work on those things on their behalf.

10 MS CAHILL: At paragraph 127 of your witness statement, page 0015, you identify two matters that you've had the more recent greatest cross jurisdiction interaction about; one is the Melco transaction and the second one is the potential responses to the risk of money laundering. Is that something that has been of recent concern to the regulator in WA?

15 MR CONNOLLY: Yes, I believe it has, yes.

MS CAHILL: But it hasn't always been?

MR CONNOLLY: It hasn't always been, no.

20 MS CAHILL: When did that become something of a concern to the West Australian regulator?

25 MR CONNOLLY: I think probably it became of greatest concern in 2018/19, following media reports.

MS CAHILL: Does the West Australian regulator consider itself to have any responsibility to manage money laundering risks in relation to Perth Casino?

30 MR CONNOLLY: I can't speak for the West Australian regulator in total, certainly my view is that they don't have any responsibility.

35 MS CAHILL: And when you speak at 131 of your witness statement at page 0016 -- - can you pop that back in, please. So we get the context of it in relation to junket operators and money laundering, you explain at 129 --- you made a suggestion about a national framework, did you?

MR CONNOLLY: I did, to the Gaming and Wagering Commission, I did.

40 MS CAHILL: And that was then explained to regulators in other jurisdictions?

MR CONNOLLY: It's been discussed with regulators in other jurisdictions, yes. But the idea hasn't been progressed in any meaningful way at this point.

45 MS CAHILL: And you explained the purpose of this national frame work at 131 and one purpose you mention is to set clear expectations that could be achieved within existing legislative and resource frameworks.



MR CONNOLLY: Yes.

5 MS CAHILL: Constraints, I beg your pardon. Is your position that WA has neither the legislative framework nor the resources to address money laundering risks?

10 MR CONNOLLY: I think there are a framework and agencies across Commonwealth and States that can address money laundering risks and we can be part of that but with a clear understanding of who is doing what. At the end of the day, AUSTRAC don't report anything to the WA regulator. They report to law enforcement. With tighter links to law enforcement at WAPOL, I think that would be a better way for us to deal with those things.

15 MS CAHILL: But what would you be doing as the regulator in that scenario?

MR CONNOLLY: The Gaming and Wagering Commission can then through directions, policies and procedures manual, have Crown change whatever processes it needs to change and require of them whatever is appropriate within the constraints of the WA legislation.

20

MS CAHILL: So react to evidence of money laundering brought to you by other agencies and to then deal with the regulations consequentially?

25 MR CONNOLLY: Potentially, yes.

MS CAHILL: I understand.

30 Now, at 132, paragraph 132 of the witness statement, you refer to another area of interaction. If I'm understanding it correctly, that where the department became aware that the Victorian authorities had commenced an investigation into Crown's junket activities in China; yes?

MR CONNOLLY: Yes.

35 MS CAHILL: And you understood, did you, that that investigation arose because of the concern about possible unlawful behaviour by Crown or the junket tours that were associated with criminal elements?

40 MR CONNOLLY: Yes.

MS CAHILL: And you understood at the time that that inquiry commenced in Victoria that Crown was marketing junkets from China to Perth Casino?

45 MR CONNOLLY: Yes.

MS CAHILL: And yet at 133 you say that the GWC considered that it would take no action until the Victorian report was finalised.

03:00PM

MR CONNOLLY: Again, GWC were going to rely on the outcome of that report.

5 MS CAHILL: Did this have anything to do with the Department or was it entirely GWC's decision?

MR CONNOLLY: That was the decision of the GWC I believe.

10 MS CAHILL: Nothing to do with the Department?

MR CONNOLLY: I don't believe so.

15 MS CAHILL: No departmental officer was involved in making recommendations to GWC?

MR CONNOLLY: I may have made a recommendation. I don't recall making a specific recommendation to the GWC about this but possibly.

20 MS CAHILL: To wait until the report was finalised?

MR CONNOLLY: Yes. Now, that wouldn't be something unusual. I would have done that before.

25 MS CAHILL: Was GWC to your knowledge given any estimates by Victoria about the time it would take for the report to finalise?

30 MR CONNOLLY: Yes, I believe they were. There was also a couple of impending time frames that the report was going to be finalised and released but the Bergin Inquiry commenced and they determined for their own reasons not to release the report.

MS CAHILL: What was the time estimate that was given?

35 MR CONNOLLY: It was certainly going to be before the Bergin Inquiry was released. So prior to February 2019.

MS CAHILL: The Bergin Inquiry was announced in about August 2019, was it?

40 MR CONNOLLY: Yes, sorry, but it was before that.

MS CAHILL: But you, talking about the Department becoming aware of the investigation in Victoria in 20 ---

45 MR CONNOLLY: 2017, yes.

MS CAHILL: So what sort of estimate were you given by Victoria about ---

MR CONNOLLY: I don't recall. It was pushed out a number of times.

MS CAHILL: Right. 137, paragraph 137, I just want to understand what you say here:

5           *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.*

When you say "a number of years" what, are you talking there?

10

MR CONNOLLY: 2017 to 2021.

MS CAHILL: And when you say that it is "on the 'radar'", do you mean that GWC and/or the Department had been aware that junket operators had been associated with  
15 allegations of money laundering and criminal infiltration?

MR CONNOLLY: No. What I'm saying is the issue of money laundering and the potential for criminal infiltration was on the radar, not that they were aware of that, but that was an issue, a contentious and relevant issue.

20

MS CAHILL: Yes, I'm not saying it actually happened.

MR CONNOLLY: Yes.

25 MS CAHILL: But it was an area of concern?

MR CONNOLLY: It was an area of concern, yes.

MS CAHILL: And are you saying at 137 that the primary reason why  
30 GWC/Department did not take steps to conduct its own investigations was because of resource constraints?

MR CONNOLLY: And that other reliable regulators were conducting that work as well and when the Bergin Inquiry was announced with the Terms of Reference of the  
35 Bergin Inquiry, that was a Royal Commission with, you know, infinitely more resources than the Department or the GWC.

MS CAHILL: Just talking about your own position as someone advising GWC, at the time, while those investigations and inquiries were working their way through the  
40 system, did you have any concern about the risks that the public of WA were being exposed to in the interim in respect of junket tours coming to Perth Casino?

MR CONNOLLY: No. I think I was satisfied the inquiries were under way.

45 MS CAHILL: Yes, but those could take years and did take years.

MR CONNOLLY: They did.

MS CAHILL: So, in the meantime, the junket tours keep coming and there is a concern around allegations of an association of junket tours with money laundering and criminal infiltration. You were content, were you, for those risks to remain there while those inquiries worked their way out.

MR CONNOLLY: Those won't necessarily decisions for me. From my perspective I was content to wait for the outcome of those inquiries. The Gaming and Wagering Commission had the opportunity to do other things if it chose to do that.

MS CAHILL: They were acting largely on your advice, weren't they, Mr Connolly?

MR CONNOLLY: They are also a group of intelligent individuals who can make their own choices. But, yes, I'm sure that they took my advice into consideration.

MS CAHILL: You were the experienced casino regulator, not they. Would you agree?

MR CONNOLLY: I agree, yes.

MS CAHILL: And you could have recommended to them that junket tours be suspended or banned while investigations continued in other jurisdictions?

MR CONNOLLY: I could have.

MS CAHILL: And you didn't?

MR CONNOLLY: I didn't.

MS CAHILL: And why not?

MR CONNOLLY: Because I didn't think it was a necessary step at that time.

MS CAHILL: Why not?

MR CONNOLLY: Because that was a judgment call made by me.

MS CAHILL: I will leave it there, Commissioner, in order to allow for cross-examination of other parties.

COMMISSIONER OWEN: Thank you. Is the bar table got an order?

MR DHARMANANDA: We haven't had an opportunity to confer on that, Mr Chairman, but from my perspective in light of what you said this morning it might be that we will defer any cross-examination to the second occasion upon which Mr Connolly returns, in which case we can assemble some documents that might make the process a little bit more swift.

COMMISSIONER OWEN: Mr Evans?

MR EVANS: I was going to defer to Ms Seaward in the first instance.

5

**CROSS-EXAMINATION BY MS SEAWARD**

10 MS SEAWARD: Just a couple of short questions at this stage, thank you.

Mr Connolly, you were asked a large number of questions about the role of the department and the various officers and the interaction with the GWC. Primarily, what is your understanding of the role of the Department in terms of how it interacts with the Commission?

15

MR CONNOLLY: The department provides the resources for the commission and the Commission has no resources of its own. So the department provides resources for the audit inspection, regulatory functions more broadly.

20

MS SEAWARD: Those resources are provided to enable the Commission to carry out its statutory functions? So the various officers in the department that have that as at least part of their role, they are carrying out those tasks for commission purposes, if I can put it that way?

25

MR CONNOLLY: Yes.

MS SEAWARD: They are, however, employed by the department?

30 MR CONNOLLY: By the department, that is correct.

MS SEAWARD: So who in the department is ultimately responsible for the department providing those services to the Commission?

35 MR CONNOLLY: Ultimately the Director-General, I believe.

MS SEAWARD: As part of your role you were involved in preparing agenda papers we heard. With those agenda papers do they follow some sort of pro forma, is there a standard item that needs to be included?

40

MR CONNOLLY: There are standard items, that is correct.

MS SEAWARD: So to the extent that you have any discretion about what goes in, how much discretion do you actually have in relation to the topics that are brought before the Commission?

45

MR CONNOLLY: So there is a standing agenda with standing items. I would have

discretion in relation to new business that is brought into commission meetings.

MS SEAWARD: So what are some of those standing items?

5

MR CONNOLLY: Conflicts of interest, there is standard reporting around revenue, audits and inspections, the exercise of delegation, there is a standing financial report and probably three or four others.

10 MS SEAWARD: In terms of the new business, what are the sources of the new business that you might need to bring to the commission?

MR CONNOLLY: If we are talking about the casino, it would be from the casino licensee generally.

15

MS SEAWARD: As part of that process yourself or other departmental officers prepare briefings papers?

MR CONNOLLY: Correct.

20

MS SEAWARD: They are prepared and put in the agenda pack?

MR CONNOLLY: Correct.

25 MS SEAWARD: And do those authors attend the Commission meetings as well?

MR CONNOLLY: Only as required.

MS SEAWARD: And who makes the decision about if they are required?

30

MR CONNOLLY: Probably me, yes.

MS SEAWARD: When you then have the Commission meetings, is there discussion amongst the Commission members about the particular items on the agenda?

35

MR CONNOLLY: Yes, there is.

MS SEAWARD: And does it ever occur when the Commission members might have questions that they wish to ask the departmental officers?

40

MR CONNOLLY: Yes, it does and if necessary the departmental officer will be asked to come and explain the paper.

45 MS SEAWARD: Okay. And have there ever been situations where the Commission members have asked for more information to be provided?

MR CONNOLLY: Absolutely, yes, they are. If they are not happy in the first instance the paper will go back and we'll provided additional information.

MS SEAWARD: And if the questions can be answered on the day, the answer is provided?

5 MR CONNOLLY: If possible. But there are many occasions where the paper has had to be resubmitted with more information.

10 MS SEAWARD: And is there ever situations where the Commission members might raise something they would like to be on the agenda in the future at some point?

MR CONNOLLY: Absolutely.

15 MS SEAWARD: And so is that another source of the new business that might be added to the agenda?

MR CONNOLLY: Yes, it is.

20 MS SEAWARD: And that part at least is driven by the commission?

MR CONNOLLY: Yes, it is.

MS SEAWARD: No further questions, thank you.

25 COMMISSIONER OWEN: Thank you. Mr Evans?

**CROSS-EXAMINATION BY MR EVANS**

30 MR EVANS: Thank you, Commissioners.

35 Mr Connolly, just a couple of questions if I could to really pick up on the theme from Ms Seaward. My understanding is that your evidence accepts that there are a degree to which a significant degree to which the department is resource constrained in servicing the requirements of the Commission ---

MR CONNOLLY: Yes.

40 MR EVANS: --- of GWC to maintain their nonclementure?

MR CONNOLLY: Yes.

45 MR EVANS: And that manifests themselves the realities of delays in meeting the requirements of the GWC from time to time?

MR CONNOLLY: Correct.

MR EVANS: And there have been a number of requirements which have been put forward by the GWC itself in recent times, as I understand it, which remain outstanding; is that correct?

5

MR CONNOLLY: That's correct.

MR EVANS: To instance those, there is, as I understand, a report by Ernst & Young which is outstanding at the present time?

10

MR CONNOLLY: That is more recent I believe. So I'm not --- I don't ---

MR EVANS: You weren't involved in that. I'll take that up with someone else. There is something you were involved with, that's KPIs.

15

MR CONNOLLY: Correct.

MR EVANS: You referred to KPIs in the course of your evidence?

20

MR CONNOLLY: That's correct.

MR EVANS: And the KPIs you referred to Commissioner Murphy, these are requirements of the Auditor-General from time to time to provide performance and efficiency indicators in relation to departments and agencies?

25

MR CONNOLLY: That's correct.

MR EVANS: And consistent with that is part of its audit annually the GWC produces a KPI report?

30

MR CONNOLLY: Yes, it does.

MR EVANS: Those are, and we heard evidence about this yesterday, effectively culminated between GWC and departmental officers because they achieve the same objective?

35

MR CONNOLLY: That's correct.

MR EVANS: Now those were put, I think, to GWC in the audit reporting for 2019. A number of questions were asked about the utility of the KPIs. Is that correct?

40

MR CONNOLLY: That's correct.

MR EVANS: And the GWC requests, and I think it was first in its meeting of 25 August 2018, in fact, for a comprehensive review of the KPIs to be undertaken by the department.

45



MR CONNOLLY: That's correct.

MR EVANS: And the department acceded to that request. That review has yet to be  
5 completed as I understand.

MR CONNOLLY: That's how I understand it, it's not completed at this point.

MR EVANS: And that was followed up in 2019 and 2020.  
10

MR CONNOLLY: Yes.

MR EVANS: And the purpose of seeking a more comprehensive set of KPIs was  
15 actually to, in a sense, more meaningfully associate KPIs with the function of the  
Commission?

MR CONNOLLY: Correct.

MR EVANS: And one of the actual components of the review is to define what the  
20 role of the GWC was; do you recall that?

MR CONNOLLY: No, not specifically, I don't.

MR EVANS: Maybe a matter for another witness.  
25

Can I just pick up on one other thing. It comes from paragraph 87 of your statement.  
In that paragraph you say in the second part of the paragraph:

*I had effective control of the agenda and manner in which items at the GWC*  
30 *meetings were discussed.* Page 11, of 36 in the statement. Do you recall saying that  
in your evidence?

MR CONNOLLY: Yes.

MR EVANS: Is it practically the case that at least more latterly you have de facto  
35 chaired the meeting and run the agenda whether or not the chair was there in fact?

MR CONNOLLY: I think that is practically the case, yes.

MR EVANS: Thank you. Commissioners, we have waxed and waned over different  
40 parts of statement today and given that I would prefer to reserve any cross-  
examination for a later occasion.

COMMISSIONER OWEN: Yes, thank you, Mr Evans. Commissioner Jenkins?  
45

## QUESTIONS BY THE COMMISSION

5 COMMISSIONER JENKINS: I just have a few questions to ask while they are fresh  
in my mind. One of the things is to clarify with you the chronology in regards to  
what you were aware of. Did you become aware of the China arrests, I will call  
them, at the time that they occurred?

10 MR CONNOLLY: When they were made public in the media was when I think I  
became aware of those, not before.

COMMISSIONER JENKINS: And I will have to actually ask for counsel's  
assistance here, but that was about October 2016? Am I right in that respect?

15 MS CAHILL: I will have to check with my instructor.

COMMISSIONER JENKINS: Does that accord with your ---

20 MR CONNOLLY: It does. It was 2016 at some point, yes.

COMMISSIONER JENKINS: And then do you recall in around September 2016  
that Senator Nick Xenophon was requesting a crackdown on money laundering in  
gambling venues as a result of allegations that a Chinese ---

25 MR CONNOLLY: Not specifically --- (overspeaking) --- I'm very confident that  
they would have been circulated to us, but I don't recall the article specifically, no.

30 COMMISSIONER JENKINS: So it is in that context that I just want to ask you  
about your evidence that you say that it was about since 2017 that you became aware  
of the issue around junkets and money laundering and criminal activity in gaming  
venues particular the casino. Would you agree that it might have been actually  
earlier?

35 MR CONNOLLY: Earlier? It quite possibly would have been. It would have been  
around those media articles. So, yes, I wouldn't disagree with that.

40 COMMISSIONER JENKINS: So did you regard it as part of your role, either as  
Deputy Director-General or as Chief Casino Officer to keep yourself up to date with  
information about what was happening in the Perth Casino and in casinos around  
Australia generally?

MR CONNOLLY: Yes.

45 COMMISSIONER JENKINS: And so if we accept that you had that sort of  
information in 2016, did you do anything as a result of that?

MR CONNOLLY: I don't recall specifically. Definitely speaking to regulators in  
Victoria, which is how I became aware they were going to conduct an investigation

into what happened in China and informing the Gaming and Wagering Commission of what was happening. Obviously they would have already seen that as part of the media, but specific actions, no, I don't recall. I would have to check minutes and  
5 other things, have access to documents to refresh my memory on those.

COMMISSIONER JENKINS: Moving on to the last part of your evidence, questions asked of you by Mr Evans I believe it was and Ms Seaward. First of all in respect of what Mr Evans said to you, and you agreed that the department is  
10 constrained in its ability to service the GWC (inaudible) the departments resources and the GWC's lack of resources.

MR CONNOLLY: Yes.

15 COMMISSIONER JENKINS: So either as Deputy Director-General or as Chief Casino Officer, have you ever recommended to the GWC that it should seek an increase in its funding?

MR CONNOLLY: I have recommended to the GWC that it reviews its structures  
20 and regulatory processes, which is a process that is under way at the moment. I haven't recommended that they seek additional funding.

COMMISSIONER JENKINS: Why not?

25 MR CONNOLLY: Well, more often than not when government budgets are released and budget period comes around departments are advised not to ask for new money. Bids for new money won't be considered. So we are working within the constraints, as I understand this, we work within the constraints of what we've got, which is why  
30 largely casino inspectors, liquor inspectors, gambling inspectors became inspectors and we use them across all of those functions to try and get efficiencies from that group of people, using the resources that we already had.

COMMISSIONER JENKINS: Going on to something Ms Seaward asked you about, that was about GWC members proactively asking for further information about  
35 recommendations et cetera, can you recall a time where the GWC has actually refused to accept a recommendation that you or the department has put up to them in relation to casino regulation?

MR CONNOLLY: Yes. Specifically, no, but I am extremely confident that there are  
40 many times that that has happened.

COMMISSIONER JENKINS: So that was going to be my next question, if you answered yes. I was going to say then could you tell me when?

45 MR CONNOLLY: No, but with access to the minutes I'm sure that we could find that, yes. Again, that would be for a number of reasons: they were not happy with paper, they didn't see connection between information in paper and recommendation or they just weren't happy with the proposal. On many times.

COMMISSIONER JENKINS: You've talked about in terms of the detection of money laundering within casinos, the fact that one of the reasons the GWC shouldn't do it is because of the duplication of processes; is that right?

5

MR CONNOLLY: That's right.

COMMISSIONER JENKINS: In respect of the Perth casino, it is the GWC and the inspectors who have the power and exercise the power of going into the casino and when they want to inspecting the books and accounts of the casino; is that right?

10

MR CONNOLLY: Yes, that's right.

COMMISSIONER JENKINS: And that is a statutory power that they can exercise at any time for the purpose of ensuring the integrity of casino gaming; that's right?

15

MR CONNOLLY: That's right.

COMMISSIONER JENKINS: And there isn't anybody --- any other authority which regularly exercises that kind of power in the casino, is there?

20

MR CONNOLLY: No. I don't believe so. There is another authority that actually gets information in respect of suspect financial transaction reportings and intelligence from AUSTRAC, though.

25

COMMISSIONER JENKINS: Which is --- sorry?

MR CONNOLLY: WAPOL.

30

COMMISSIONER JENKINS: Sorry, what do you mean by that?

MR CONNOLLY: So information, intelligence from AUSTRAC about the potential money laundering activities in WA, more broadly, not just at Crown, I believe that information goes to WAPOL and has never circulated that.

35

COMMISSIONER JENKINS: Yes. I thought you were suggesting that WAPOL was reporting to AUSTRAC on suspicious transactions.

MR CONNOLLY: No. No.

40

COMMISSIONER JENKINS: So, in that sense, in the sense that it is actually the inspectors and the GWC that have the power to go and inspect the casino books and accounts, you don't see that that gives the GWC a special role in the identification or the detection of criminal offences at Perth Casino to the extent that those criminal offences might impact on the integrity of gaming?

45

MR CONNOLLY: I think --- I still believe that that would take skills in order to be

able to identify these things. I mean, you know, I can't remember the correct term that is used for structuring deposits and other transactions to avoid requirements, AUSTRAC reporting requirements, but I believe that would still require significant skills and would have a resource implication, no doubt.

COMMISSIONER JENKINS: Right. So in determining that opinion, have you requested the GWC to instruct the inspectors or have you yourself instructed the inspectors to go and look at the Riverbank bank statements, for example, to see if it is actually that hard to identify ---

MR CONNOLLY: No. No.

COMMISSIONER JENKINS: Have you done anything else to obtain whether it is that difficult and whether specialist skills are required to identify structuring?

MR CONNOLLY: No, I've maintained the view that that is somebody else's role.

COMMISSIONER JENKINS: Just one other issue I might cover off at this point. It is about the same issues. It was your evidence that you didn't think it was ever within the powers or the capacity of the GWC or the department to identify money laundering at the casino and we've covered that issue about Riverbank and looking at their accounts. What about the issue of the provision of granting credit to gamblers? Have you ever considered whether that is a way of trying to prevent or reduce the chance of money laundering or criminal --- or money laundering in particular at the casino?

MR CONNOLLY: No. I don't think I've considered it in that context. Credit, again those are decisions made by the commission and I can't recall actually raising those sort of matters with the Commission in respect of funds advanced for credit.

COMMISSIONER JENKINS: And in the same sort of area --- no, I won't go down to that. I will do that at another time.

Finally, in respect to these issues, you are basically saying you didn't get any formal training in respect of either being the Chief Casino Officer, or being the Director-General --- the Deputy Director-General Regulation in terms of regulating the casino; is that right?

MR CONNOLLY: That's right.

COMMISSIONER JENKINS: Did you ever look at what training might be available to you?

MR CONNOLLY: From time to time I have looked at training and I did attend a casino gaming regulator's forum in 2019, but, no, I would suggest that predominantly, no I didn't look at training, I was too busy doing other things.

COMMISSIONER JENKINS: So you just didn't have the time to turn your mind to that issue particularly?

5 MR CONNOLLY: No, I don't think so. Time has been a problem.

COMMISSIONER JENKINS: Sorry?

MR CONNOLLY: Time has been an issue, for sure.

10

COMMISSIONER JENKINS: If I can ask a follow-up question about that. I got the impression from what you said in evidence that being Chief Casino Officer didn't take up much of your time, and casino regulation, I can't remember now exactly ---

15 MR CONNOLLY: I think I said about 20 per cent.

COMMISSIONER JENKINS: 20 per cent. So those issues aren't taking up a lot of your time all in all ---

20 MR CONNOLLY: No.

COMMISSIONER JENKINS: --- so what was it about your role that consumed your time?

25 MR CONNOLLY: Through --- straight after the machinery of government changes, absolutely local government and liquor predominantly is what has taken up most of my time.

30 COMMISSIONER JENKINS: Thank you, Mr Connolly, that's all I wanted to ask at this point.

35 COMMISSIONER MURPHY: Commissioner, I need to clarify the issue around the key performance indicators, a question that was asked. They would be the key performance indicators required under the Financial Management Act and audited by the Auditor-General rather than ---

MR CONNOLLY: That's correct, sorry.

40 COMMISSIONER MURPHY: Thank you.

45 COMMISSIONER OWEN: Mr Connolly, there are just two matters that I would like to raise with you at this stage. And the first one follows on from what Commissioner Jenkins has been asking you about a role of forensic analysis of the accounts for the detection of the indicia of money laundering. Can I ask you this question: I accept that your general position, and I'm paraphrasing and please tell me if this is unfair, that the Gaming and Wagering Commission has neither the capacity nor the necessity to detect money laundering within the --- but it does have an audit and inspection function to ensure that the integrity of the gaming operations is

protected?

MR CONNOLLY: Correct.

5

COMMISSIONER OWEN: Following on from what Commissioner Jenkins was saying to you, and I know that there are lots of ifs in this, but if there were a capacity to do the forensic audits that might detect, that could detect the indicia of money laundering, might that not have been part of a regulatory function which has as its aim the identification of systemic problems rather than being a law enforcement agency function in itself, but of identifying systemic problems that --- Let me ask you this question: were you aware --- are you aware that the Crown Group had an anti-money laundering policy?

15 MR CONNOLLY: Yes.

COMMISSIONER OWEN: And was that a part of the casino operations manual?

MR CONNOLLY: Only very limited parts of that.

20

COMMISSIONER OWEN: To the extent that it was part of the casino operations manual, might not a facility of that nature been of assistance both to Crown and to the public in being able to detect systematically the policies were working?

25 MR CONNOLLY: A forensic analysis facility? Absolutely, Commissioner, it would have been. And part of the suggestions that I've had in terms of reviewing was using the available resources we had but by reallocating people from licensing area and from the current inspectorate and replacing them with people with forensic accounting skills and, indeed, IT skills, information and technology skills because  
30 lots of the information we're getting out of --- or is available from the casino comes from systems now.

COMMISSIONER OWEN: All right. Thank you.

35 The second question I want to ask you is about --- you will recall that Ms Cahill asked you a series of questions about, and I think it was in relation to paragraph 22 of your statement, about the main cage and supervision of what was happening in the main cage, and your answer was that we want to make sure things aren't stolen. Can I put this to you, and I'm asking for your view. Can I put this to you, and I will put it  
40 bluntly: is it your view that a significant part of the regulatory function is protection of the revenue of the State of WA?

MR CONNOLLY: Yes.

45 COMMISSIONER OWEN: Is it your view that the protection of the revenue of the State of WA is a very significant part of the regulatory function?

MR CONNOLLY: I would say "significant". I wouldn't say "very significant". It

would be on par with the integrity of the gaming operations, the conduct of gaming, but revenues is significant.

5 COMMISSIONER OWEN: On par with the integrity of --- is this the issue of ensuring that the games are played according to the rules ---

MR CONNOLLY: Yes.

10 COMMISSIONER OWEN: --- which have been set?

MR CONNOLLY: Yes.

COMMISSIONER OWEN: Anything else?

15

MR CONNOLLY: No, I don't think so. All part of the integrity is the probity of people. So the integrity of the gaming and revenue are the two highest priorities, two most significant priorities.

20 COMMISSIONER OWEN: Thank you. Ms Cahill, anything arising from that?

MS CAHILL: No, I don't think so.

COMMISSIONER OWEN: Mr Vandongen?

25

MR VANDONGEN: I don't have any specific questions for Mr Connolly, however, he did indicate to me at lunch time that there was something he wanted to raise with me. So I think a five or 10 minute indulgence to speak to Mr Connolly about that matter?

30

COMMISSIONER OWEN: Certainly. We'll adjourn for 5 minutes.

MR VANDONGEN: That will be fine.

35 COMMISSIONER OWEN: We will come back at 3.40.

**ADJOURNED**

**[3:35P.M.]**

40

**RESUMED**

**[3:41P.M.]**

45

COMMISSIONER OWEN: Thank you. Please be seated.

MR VANDONGEN: Thank you for that time, Commissioners, I don't have any questions.

COMMISSIONER OWEN: All right. Mr Connolly, I'm sorry that I can't release



03:42PM

you. We will need to hear from you again. You have heard the exchanges. But we've got to the stage where you are free access to your advisors in the meantime. We will give you as much notice as we can.

5

MR CONNOLLY: Thank you.

**THE WITNESS STOOD DOWN**

10

COMMISSIONER OWEN: And we will adjourn until 10 am tomorrow.

15 **HEARING ADJOURNED AT 3.42 PM UNTIL THURSDAY 13 MAY 2021**

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