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PERTH CASINO ROYAL COMMISSION

PUBLIC HEARING - DAY 32

10.02 AM WEDNESDAY, 1 SEPTEMBER 2021

COMMISSIONER C F JENKINS

COMMISSIONER C MURPHY

HEARING ROOM 3

**MR ADAM SHARPE and MR THOMAS BOYLE as Counsel Assisting the Perth
Casino Royal Commission**

**MS RACHAEL YOUNG as Counsel for Consolidated Press Holdings Pty Ltd and CPH
Crown Holdings Pty Ltd**

**MR PAUL D EVANS as Counsel for the Gaming and Wagering Commission of
Western Australia**

**MS FIONA SEAWARD as Counsel for the Department of Local Government, Sport
and Cultural Industries**

**MR LEON FIRIOS as Counsel 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**

MR NICHOLAS MALONE as Counsel Mr Michael Connolly

COMMISSIONER JENKINS: Thank you. Please take a seat.

5 Commissioner Owen will be absent for the rest of this week. Commissioner Murphy
and I will conduct today and tomorrow's hearing. Commissioner Owen will listen to
and/or read the transcript of today's evidence. The parties will be advised if
Commissioner Owen has any questions arising from the evidence.

10 Mr Ng is in the witness box already. Mr Ng, I understand you will be using a
hearing loop today to assist your hearing?

WITNESS: Yes.

15 COMMISSIONER JENKINS: Please let me know if at any time you cannot hear the
questions because of any technical difficulty.

WITNESS: Yes, I will.

20 COMMISSIONER JENKINS: Counsel will make an effort to speak clearly and
directly to you. Please let me or them know if at any time you cannot hear them and
need them to speak more clearly.

WITNESS: Thank you.

25 COMMISSIONER JENKINS: Ms Seaward. Mr Ng, you will take the affirmation?

WITNESS: Affirmation.

30 **TERRY NG, AFFIRMED**

COMMISSIONER JENKINS: Thank you, Mr Ng. Please take your seat.

35 MR NG: Thank you.

COMMISSIONER JENKINS: Now Ms Seaward will ask you some questions.

40 **EXAMINATION-IN-CHIEF BY MS SEAWARD**

MS SEAWARD: Mr Ng, you are now retired?

45 MR NG: Yes.

MS SEAWARD: Previously, you were the Chief Finance Officer in the former
Department of Racing, Gaming and Liquor?

10:04AM

MR NG: Correct.

5 MS SEAWARD: You received a witness summons to appear at this Royal Commission?

MR NG: Yes.

10 MS SEAWARD: You were given a list of topics?

MR NG: Yes.

MS SEAWARD: You prepared a statement?

15 MR NG: Yes.

MS SEAWARD: On the table in front of you, there should be a copy of a document. Is that your witness statement, dated 31 August?

20 MR NG: It didn't have my signature and the date there but I suppose this would be --
-

25 MS SEAWARD: That's a printed version. On the front page does it have the date of 31 August?

MR NG: Correct.

30 MS SEAWARD: If you turn to the second-last page, does it have 108 paragraphs --- you can't hear? I think we have a technical issue.

MR NG: Sorry about that.

MS SEAWARD: Can you hear me when I am speaking now?

35 MR NG: Yes.

MS SEAWARD: Thank you. So you have a copy of a statement in front of you. It goes up to paragraph 185?

40 MR NG: Correct.

45 MS SEAWARD: If you look on the screen in front of you, there should be a copy of the one that did have your signature but it has been blanked out. Does that look like the one you remember?

MR NG: Yes.

10:05AM

MS SEAWARD: Could I ask the operator to turn over to the last page, 43. It was witnessed and then it has a date, 31 August?

5 MR NG: That's correct.

MS SEAWARD: Is that a copy of the statement you prepared?

MR NG: Correct. That's the one.

10

MS SEAWARD: I understand there are a couple of small typographical errors you would like to correct. Operator, please turn to page 35 and could you turn to page 35, please.

15 MR NG: Yes.

MS SEAWARD: If we look at paragraph 146, in the second line it has some paragraph references. It has "paragraph 128-134143". Is it correct that that should read "134"?

20

MR NG: It should be "128" followed by "134", without "143" at the end.

MS SEAWARD: So we can cross out "143"?

25 MR NG: Correct.

MS SEAWARD: Stay on that page. Down the bottom of the page it has a footnote, numbered 8. Turn over to page 36 and the next footnote is number 11. Turn over to the next page, the final footnote is numbered 13. Is it the case there are no missing footnotes, the numbering has just gone wrong? Is that correct?

30

MR NG: Correct. Just a sequential order problem.

MS SEAWARD: Yes. With those amendments, is your witness statement, dated 31 August, true and correct to the best of your knowledge, information and belief?

35

MR NG: Yes, that's true.

COMMISSIONER JENKINS: Ms Seaward, I noted one other possible error. In paragraph 137 it has "2015-2006". Should that be "2005-2006"?

40

MR NG: Yep.

MS SEAWARD: Is that right, Mr Ng?

45

MR NG: No. I think I have refer to that question, I think I have done a reconciliation of the actual recoupment fee from 2015 --- sorry, yes, you are right. Should be "2005-2006".

10:08AM

MS SEAWARD: Just that number should read 2005. Thank you.

5 COMMISSIONER JENKINS: I will make that change. With those changes, the statement of Mr Ng will be an exhibit in the Commission with the identifier number DLG.0001.0010.0020.

10 **EXHIBIT #DLG.0001.0010.0020 - WITNESS STATEMENT OF TERRY NG, DATED 31 AUGUST 2021** MS SEAWARD: With the leave of the Commission, I have spoken to my learned friend Counsel Assisting. There is one small area of additional evidence-in-chief which I would seek to leave?

15 COMMISSIONER JENKINS: Certainly.

MS SEAWARD: Mr Ng, would you turn to paragraph 75 of your witness statement.

MR NG: Yes.

20 MS SEAWARD: In this section you are describing how you calculated the department fee, which you call the recoupment fee, from the period 2000 to about 2007/'08. That continues from paragraph 75 until about paragraph 84. In those paragraphs you have recorded one part of the process you followed; is that right?

25 MR NG: Yes, correct.

MS SEAWARD: What part have you recorded?

30 MR NG: Because the budget included salary budget and non-salary budget, and what I have described from paragraph 76 onwards is related to non-salary component. So I want to give more information about salary component, so I still give a whole or a complete picture of the budget.

35 MS SEAWARD: So this part is the non-salary component. Can ---

COMMISSIONER JENKINS: Mr Ng is having a problem, I think, with the hearing loop. What is the difficulty, Mr Ng?

40 MS SEAWARD: Is it working, Mr Ng?

MR NG: Yes, sometime it didn't.

MS SEAWARD: Is it going on and off.

10:10AM

MR NG: Yes, on and off, on and off. I try maybe to --- no.

MS SEAWARD: We'll go slowly.

5

MR NG: Sorry. Keep going.

COMMISSIONER JENKINS: We might see if we can get some technical assistance. Mr Ng, perhaps come close to the desk.

10

MR NG: Okay.

MS SEAWARD: You have described the non-salary component in your statement. How did you calculate the salary component?

15

MR NG: The salary component was based on salary budget. Used to come from HR, Human Resources section, or from my Director, Corporate Services. So I assume they will have discussed and negotiated and agreed with the cost centre manager, and that Human Resources will allocate it to that particular cost centre in the following year. Then once we got this figure, we will just populate it into our master salary Excel spreadsheet, which includes already the non-salary component. Then you will have the whole expenses for the total cost of services that we can start with.

20

25 MS SEAWARD: Thank you. Was that all you wish to add on that part?

MR NG: Yes.

MS SEAWARD: Thank you. No further question.

30

COMMISSIONER JENKINS: Thank you, Ms Seaward. Yes, Mr Sharpe?

CROSS-EXAMINATION BY MR SHARPE

35

MR SHARPE: Mr Ng, I refer you to paragraph 5 of your witness statement on page 3. This is a point for clarification and it might be being overly technical but you say in paragraph 5 that you were employed as the Chief Finance Officer of the Department from March until 30 June 2017?

40

MR NG: That's correct.

MR SHARPE: You were the Chief Finance Officer under the Financial *Management Act regime*; is that correct?

45

MR NG: Yes, correct.

10:12AM

MR SHARPE: That regime took effect from 2007?

MR NG: 2017?

5

MR SHARPE: No, the Financial Management Act came into effect in 2007?

MR NG: Can't remember the exact date.

10 MR SHARPE: Around that time?

MR NG: Yes.

MR SHARPE: Prior to that, it was the Financial Administration and Audit Act?

15

MR NG: Correct.

MR SHARPE: Under that Act, you would have had the title Principal Accountant Officer?

20

MR NG: Yes, correct.

MR SHARPE: To clarify, from March 2000 until around 2007, you would have been Principal Acting Officer?

25

MR NG: Yes.

MR SHARPE: Then from 2007 until 2017, you were the Chief Finance Officer?

30

MR NG: Yes.

MR SHARPE: In your role as Chief Finance Officer you were the Chief Finance Officer for the Department of Racing, Gaming and Liquor; is that correct?

35

MR NG: Correct.

MR SHARPE: You were also the Chief Finance Officer for the Gaming and Wagering Commission?

40

MR NG: I need to clarify first. From 2000 to 2003, I was the CFO, Chief Finance Officer, for five agencies. So one is the Office of Racing, Gaming and Liquor and then subsequently changed to Department of Racing, Gaming and Liquor. Then the next one is the Gaming Commission of WA. Then the third one is the Betting Control Board. The fourth one is the Racecourse Development Trust and then it is

45 the Racing Penalties Appeal Tribunal. But in the year of 2003, there is racing reform, so Betting Control Board merged with Gaming Commission of WA to form Gaming and Wagering Commission of WA, and they abolished the Racecourse Development Trust because we transfer all the assets and liability from the

Racecourse Development Trust to a new body called Racing and Wagering WA, formerly known as TAB. So we still keep the Racing Penalties Appeal Tribunal. So from 2003 onwards, I manage three agencies.

5

MR SHARPE: I call up the Financial Management Act, which is PUB.0016.0023.0003, at page 48, please, operator. I draw your attention to subsection 57(2). Do you understand that to be your responsibilities as Chief Finance Officer?

10

MR NG: Yes, I am, yes.

MR SHARPE: Those responsibilities are owed to the accountable authority; do you agree?

15

MR NG: Yes, correct.

MR SHARPE: During the time you were Chief Finance Officer of the Department, the accountable authority of the Department was Mr Barry Sergeant, the Director-General?

20

MR NG: Correct.

MR SHARPE: While you were the Chief Finance Officer of the Gaming and Wagering Commission, who was the accountable authority for the Gaming and Wagering Commission?

25

MR NG: Mr Sargeant, as the chairman.

MR SHARPE: When you were the Chief Finance Officer for the Racing Penalties Appeal Tribunal, who was the accountable authority for the tribunal?

30

MR NG: It would be not Barry Sergeant because it has nothing to do with Department of Racing, Gaming and Liquor. I can't remember the name. I think the person is also a lawyer, I think. I can't remember the name. It is independent from Barry Sergeant, Mr Sargeant.

35

MR SHARPE: Turning our attention to paragraph (a) within subsection 2, it provides that:

40

The chief financial officer of an agency is responsible to the accountable authority for the preparation of financial information to facilitate the discharge of statutory reporting obligations of the agency.

45 You see that?

MR NG: Yes, correct.

10:17AM

MR SHARPE: So you accept your responsibilities to the accountable authority of those agencies included providing that information?

5 MR NG: Yes.

MR SHARPE: And providing accurate information to be part of that?

MR NG: Yes, that's correct.

10

MR SHARPE: In paragraph (c) it states:

15 *The Chief Finance Officer of an agency is responsible to the accountable authority for the provision of advice concerning the financial implications of and financial risks to, the agency's current and projected services.*

MR NG: This I need to clarify a bit because given my role as CFO of Department of Racing, Gaming and Liquor, my role was limited in the way that the risk management was not part of my job. So it was handled I think, if I'm not wrong, it is the Director, Corporate Services.

MR SHARPE: You acknowledge that this Act says you are responsible for providing advice about financial risks but you say that, in practice, you did not provide that advice?

25

MR NG: That's right. I think it's a structure, they operate in that way, so I can't comment too much.

MR SHARPE: But your evidence is that you did not provide advice about financial risks to the Gaming and Wagering Commission?

30

MR NG: In terms of the FMA, yes, I agree with that, but in practice, in reality, it may be a little bit --- there is a deviation, that's what I can say.

MR SHARPE: Going back to your witness statement at paragraph 26, you state that as Chief Finance Officer you attended part of a GWC board meeting on one occasion only in approximately 2000 or 2001 to answer a question about finance. Is it the case that apart from that, you provided your advice to the GWC in writing? Is that how that worked in practice?

40

MR NG: First, to my best recollection, I could not remember, could not recall what the reason why I was asked into the meeting room. I think at that time Mr David Halge just asked me to pop in to ask me something in the board meeting. But that was the one and only one that I have been in the meeting room for the board meeting.

45

MR SHARPE: Is there any reason why you didn't attend subsequent board meetings?

10:20AM

MR NG: I was never attend any board meetings, even --- I think I would say that my role was inherited from my ex-finance manager. She is a chartered accountant but I have talked with her many years ago and she also told me that she was never
5 involved or participated in any board meeting of a GWC. So we don't know why, we just --- we don't know why we were not involved in any board meetings.

MR SHARPE: There has been evidence given from Mr Kevin Harrison, who was a GWC member from 1 January 2006 until 31 December 2015, that when he
10 commenced as a GWC member, you gave him an oral briefing about the GWC's finances. I appreciate that is some time ago, but do you recall that you gave him an oral briefing?

MR NG: Possibly as a induction.
15

MR SHARPE: As an induction?

MR NG: Yes. But I think it didn't happen again, maybe only once or twice.

MR SHARPE: Yes, okay. Apart from the one occasion when you attended the board meeting and the one or two occasions when you assisted with the induction of new members, was all of your advice to the GWC provided in writing? For example, through briefing papers and financial documents attached to briefing papers; is that how you provided advice or information?
20

MR NG: Yes, that's right.
25

MR SHARPE: Turn to your witness statement at paragraph 62. You have made some observations there in response to a topic asking about how the financial relationship between the Department and the GWC could be improved. You have given a list of suggestions. I will ask you for more detail about a couple of your suggestions. At paragraph 62.3, you suggest that interactions between the GWC and the CFO to be conducted regularly. What kind of interactions did you have in mind there?
30

MR NG: I think maybe, basically, it's a little bit extension of the regular board meetings, so to have more discussion or whatever or anyone can discuss their concern or anything happened or issue related to financial issue they can share with me.
35

MR SHARPE: At paragraph 62.5, your suggestion is that the CFO should report only to the DG or the chair. Is that in contrast to the position in which you found yourself, where you were reporting to a director? Is that the point you are making there?
40

MR NG: No, because I did not report to the DG directly, I have to report my immediate supervisor, the Director of Corporate Services. So in the organisational hierarchy, I was not in --- I did not have any direct contact with Mr Sargeant. And I
45

still remember that earlier, there is my boss, my immediate supervisor or director, and she make it very clear that anything will have to go through her, and I mean anything that I want to discuss or anything with Mr Sargeant as the DG, I have to go
5 through her first.

MR SHARPE: Turning to paragraph 62.6, you have suggested there should be a mechanism for allocating the costs of the GWC board members to the casino and non-casino related activities. What mechanism would you suggest should be
10 implemented? How should that be done?

MR NG: It is a difficult question to answer because there is no such activity-based costing. To my understanding, it is in accordance with the Gaming and Wagering
15 *Commission Act, I think section 7 or something like that. And the board members, their duty also cover casino --- not only casino but also non-casino activities. So I just wonder, without any mechanism to allocate their costs to the casino and non-casino related activity, it is very hard --- if not impossible, very hard --- to derive a true cost of the activities.*

20 MR SHARPE: Perhaps, while you have touched on that subject, we could turn to paragraph 76.

MR NG: Sorry, which paragraph?

25 MR SHARPE: 76.

MR NG: Yes.

MR SHARPE: Page 19. This section of your witness statement is explaining the
30 calculation method from 2000 until 2007 or 2008. The last sentence of paragraph 76 says:

The Finance section adopted this approach because the Department did not have an 'Active based' model of time recording.

35 Are you on paragraph 76?

MR NG: Yes. So this one, because that is the Excel spreadsheet that --- or the budget package which is available for use to allocate all the total costs of services of
40 the Department into different cost centre and because at that time --- sorry, sorry. I think ---

MR SHARPE: To clarify, I am asking about the activity-based model of time recording which you say the Department did not maintain. I was intending to ask
45 you what would an activity-based model of time recording entail? What would that look like?

MR NG: Well, it (inaudible) costing, something like that, because one particular

officer or employee, when they handle a number of activities, they may be required to mark down the time, the exact time they allocate to each activity, so the costs or the expenses can be attributed to a specified or particular activity. Without such a
5 mechanism, it just would be impossible to derive at a reasonable cost or true cost of that activity.

10 MR SHARPE: During the time you were at the Department, the Department did not maintain that kind of activity-based model of time recording; is that correct?

MR NG: Correct.

15 MR SHARPE: Can we turn back to paragraph 64 of your witness statement. To give context, this is in response to the question about the relative benefits and relative detriments of having the same person as Chief Finance Officer for the Department and the Gaming and Wagering Commission. The first point you make at 64.1 as to detriments is a "lack of independence to some extent". Can you elaborate on that point?

20 MR NG: Yes. I think, to my understanding, especially in finance, we are working in corporate services, like providing support to the core business of the Department or agency, not like the core business like what we had, like compliance or licensing in our office. So if they are --- and particularly if they are more regulatory nature, then I think for them it would be a little bit caution. But for me, I mean from a finance
25 person, we are just, like, providing a finance hoop and then provide services to a number of clients. So, yes, to some extent, there is a lack of independence, but not as serious as those core business of a regulatory nature. I would say that.

30 MR SHARPE: From your experience as the Chief Finance Officer, how did you find that a lack of independence affected your role? I will clarify. As the CFO of the Gaming and Wagering Commission, how was that role affected by that lack of independence you have referred to?

35 MR NG: I would say, based on my professional ethics, my professional practice as a CPA, of course we have our own professional practices to follow and guidelines we have to follow, so I will trying always to be impartial and did the right thing, and I would say at each agency under our administration, I will treat them all the same. But I can elaborate more. At the year end, close to year end, usually I will always sit
40 down with Mr Sargeant to go through the financial position of the Department and the GWC. So that is indication, an indication to show that we look after the agency, you know, to see whether they are financially sustainable or need any action to address any problem they may have. Every year we have this annual process.

45 So we find that when there is savings anticipated in the Department and then we have to find our way how to pay a fair gain to return some of the saving back to GWC. That is the next step I will have to do with the Deputy Director-General, that is Mr Connolly. He was in charge of the business section. He would have all the statistics about, for example, the number of audits and compliance they have to do. If

they find the actual number of activities fell short of the expected or the estimated budget level, target level, then it is a indication that we had to return money to GWC through the way of a reduction in the recoupment fee.

5

MR SHARPE: On that issue you have raised regarding the actual services that have been provided, as against the target or budgeted services ---

MR NG: (Nods head).

10

MR SHARPE: --- are you aware of who made the decision about what the target should be or what the budget for services should be?

MR NG: For the target, it should be well written or documented in the annual budget of the Department in the State-published budget paper, so in the area of KPI, key performance indicators. So there will be a target level preset. So at the end of the year, the business section, the core business and like the Deputy Director-General I think he was in charge of the KPI as well, so he will gather all the information and in terms of liquor, gaming, casino and wagering. So he should have a quite clear list for each activities. So then I will discuss with him whether there is really to justify for the reduction of the recoupment fee to GWC.

15

20

MR SHARPE: Turning back to paragraph 38 of your witness statement, you say:

25

I am aware that no internal audit process was conducted in around 2015 or 2016.

MR NG: Yes.

30

MR SHARPE: Are you able to explain why no internal audit process was conducted around that time?

MR NG: I could only say what to my best knowledge I knew at that time, because there was a crisis in the Department. Sorry, I could not remember if it 2015 or 2016. I remember the Deputy Director-General receive a call from OAG, Office of Auditor-General. They had a concern that there was no internal audit done in that year. So that's something that I could remember. But, to be honest, if you ask me why did this happen, I could not tell much because I was not involved in the internal audit process. All the time it is managed by my supervisor, that is the Director of Governance and Strategy and they change the title all the time. So then it is up to them, I mean up to the top management to negotiate or arrange for internal audit.

35

40

MR SHARPE: After that year when you have knowledge that there was not an internal audit, are you aware of whether the internal audit recommenced after that?

45

MR NG: Yes, I think we just missed one year.

MR SHARPE: Next, I will ask you some questions concerning the Department's

service charge to the GWC or the charge which you refer to as, I think, the recoupment fee. First, I would like to take you to an email. Operator, could you call up GWC.0007.0009.0015. Please scroll to the bottom, where there is an email to Mr
5 Ng dated 9 March from Mr Milan Kucera. Can you see that? Have you had the opportunity to look at this email overnight?

MR NG: Yes. I think I received that email or request from Treasury. He was our
resources analyst in Treasury. He just want to get some details because he might
10 have to prepare a report at that time for some purpose. So now when I look at it, (inaudible) I'm aware that in the absence of useable service split and could I examine our historical data, for example, in the last two years (inaudible) split between liquor and non-liquor. So at that time, because I think in my witness statement I mentioned earlier, because of the office restructure some time in 2006 or 2007 and some of the
15 cost centre abolished and merged into just a few cost centre. They just like a pool of resources and just reduce number of cost centre. And not only that, there's the problem of --- well, in my opinion, the office or the Department pursued multiskilled of the staff in doing the liquor and also the gaming and the casino. So it would be liquor licensing and gaming licensing and wagering licensing, not only wagering
20 inspector or liquor inspector. So they would expect staff to be multiskilled. So it is very hard, as I mentioned earlier, unless you have an ABC, activity-based costing, there is no way we can retrieve or identify the cost detail for each activity, like liquor, gaming or casino. At that time, based on my assumption, I did discuss with Treasury analyst to see whether my approach would be appropriate or not. So
25 because based on the full cost recovery with assumption, we provided services to the tribunal, that's means the Racing Penalties Appeal Tribunal and the GWC and we charge them a recoupment fee. So my logic or assumption was if we provide them service, that means there will be cost to the Department and when we recoup or charge them, it should be at least the same amount of that dollar value. So then I
30 took from there and then put in my Excel spreadsheet and then starting from the total cost of service of the Department, take away the non-liquor component. That is the GWC and the tribunal. And that was what I would say changes something or --- and 70. So, at that point of time, when I look at that email again, I never expect this one will be the --- someone will use it as a guideline or yardstick to do their costing after
35 I have left the Department.

MR SHARPE: I will ask you a couple of small details about that email, for completeness. Milan Kucera, you said, was from Treasury. To clarify, he is an
40 officer at the WA Department of Treasury; is that correct?

MR NG: No, he's contact person. We call that our resource analyst. So when we have budget submission, any issue to do with resources, we ask for more money or funding, he was the first person we have to contact. So he's just had liaison with me,
45 so we just have interaction.

MR SHARPE: But he was an officer or employee of the Department of Treasury?

MR NG: He was in Treasury.

10:43AM

MR SHARPE: In Treasury?

MR NG: Yes.

5

MR SHARPE: Not in your Department?

MR NG: No, no.

10

MR SHARPE: Can I confirm with you that COFOG, do you understand that refers to classifications of the functions of government, or you are not aware of that?

MR NG: I don't know the full name of it because also this exercise is not every year, so it maybe come around every four years. I could not say for certain, but I just
15 remember that this exercise will not --- was not required on an annual basis.

MR SHARPE: Operator, can we move through to the next email? Mr Ng, we see that you send an email on 13 March, advising the appropriate percentage to allocate to racing and gaming would be 30 per cent, at the foot of that first page?

20

MR NG: Yes.

MR SHARPE: You then forward that email on to a Mr Bialas. Who is Mr Bialas?

25

MR NG: At the time he was my accountant and, in my absence, he used to be the acting CFO. That is my practice in the team, I like to share information and at that time, I did forward that email to him. This one will not show here.

MR SHARPE: Operator, can we go to the first page. You forwarded that on and that is shown at the foot of that email, and then you get a response from Mr Bialas?

30

MR NG: Yes.

MR SHARPE: He says:

35

Terry, FYI, I did some calculations on Friday and they support the 30 per cent.

Do you see that?

40

MR NG: Yes.

MR SHARPE: Operator, can we call up GWC.0007.0009.0016. Are those works you produced or produced by Mr Bialas?

45

MR NG: I think it was done by me, this one, yes, but I can't say 100 per cent sure. It was just the way of presentation, the way --- the structure, the percentages, it's like my style.

MR SHARPE: It might have been you but you couldn't be certain?

5 MR NG: Yes. But I think you can come up column G, it's roughly (inaudible) but just take caution, the last one is up to March, early March, so that's why it was highlighted in yellow. So all the previous years are full year but because at that time it was asked by Treasury up to the current period, so that's why I prepared that one that way. Yes, I think possibly it's done by me.

10 MR SHARPE: But you are not sure?

MR NG: Yes, not sure. Because the words also in the email, Mr Bialas say he had done some calculation and the way he did all the calculation, he have achieved is also close to 30 per cent. I can't remember whether he attached his workings to me
15 or not. I could not recall.

MR SHARPE: Perhaps we can go back to the previous document. Can we scroll to the end to see if there is an attachment. Sorry, stop for a moment. You can see at the top of the page there is an attachment, but that is an attachment to the later email. So
20 perhaps that --- well, that is an attachment to an email from Mr Bialas, dated 20 May 2021, so perhaps that doesn't assist either way.

MR NG: Yes, maybe. Maybe Mr Bialas will be the appropriate person to answer it, yes. I notice that email happened in May this year.

25 MR SHARPE: Yes, so that is after you left, yes. Turning back to the service charge and the process for calculating the service charge. The service charge at the time you were the CFO would be generated through an internal departmental process that you have described between yourself and Mr Sargeant; is that right?

30 MR NG: You mean determined the final recoupment rate, is that right?

MR SHARPE: (Nods head).

35 MR NG: I mean, prior to 2007 or 2008, we got the figure, the recoupment fee which is charged to GWC or tribunal. I think, of course, we did forward to someone, top management, for approval because we are not the decision-maker. So there is no way --- because at the end of the day, it was the DG, the Director-General, to approve the budget for the Department. So he or she will have to fully understand
40 and agree with the recoupment fee. If I'm not wrong in my memory, I think we forward to our director, my immediate director/supervisor and maybe she will get some approval indication from Mr Sargeant.

MR SHARPE: So you would put forward a recommended recoupment fee, you
45 forward it, but that would go to up Mr Sargeant for final approval?

MR NG: Yes, through my ---

MR SHARPE: Through your director?

MR NG: Yes, because I could not have direct contact or report to him.

5

MR SHARPE: Sure.

MR NG: Then after 2007 or 2008, I think you may have some question later on, then we adopt a flat rate, a flat recoupment rate. But I wait until when you ask the question on this area later.

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MR SHARPE: Is there anything --- we're at about that now.

MR NG: The cost is a bit different because around 2007 or 2008, another office restructure I mentioned earlier, is a more --- a number of cost centre abolished, and also for the idea of multiskilled for the staff. So they are put into fewer cost centre and it was difficult to track down the cost for each activity. So at that time we look back, we didn't know --- we knew that there's a problem to arrive at recoupment fee, so we need to discuss a final option or solution. Then we came up with the idea to use the immediate preceding year, the recoupment fee, and then build in the CPI, the consumer price index, and then would be the following year, the recoupment fee. So it was not a bad choice or option because, put it this way: of course we have to refer the recoupment fee charges over the last few years, so the figures seem to suggest it is around 2.8 million or something like that. So I think it was quite a good indication, reliable. And also in the past, prior to this change, it is more --- the cost could be attributed or charged to a particular core business centre. So we find it is quite reliable, so we adopt it and, of course, (inaudible) should there be any changes in the scope of activities, like what we did for the racing bets levy in 2010, then the recruitment rate will have to adjust upwards. But I always said it was not a bad option of better recoupment rate, was a good option, because it filter out all the impact, all the effect of the liquor reform in 2007 or 2008 because when you have the liquor reform, we have the funding, appropriation from Treasury, additional, to implement the reform. But through this reform, it also means that we incur more expenses. So your total cost of service will also increase significantly. Without ABC, activity-based costing or any other job costing, how could you single out what is the cost for each activity? So at that point of time, because it already remove the impact of the liquor reform, so that one is purely, purely the recoupment rate used earlier before 2007 or 2008 was really related to GWC and tribunal. So from what I say here, is that not a bad option at that time. So if there is any changes in the scope of activity, as I mentioned earlier, we would have to increase the recoupment rate. That's why --- you can see why the recoupment rate increase significantly in 2010 and onwards. And not only the liquor reform, not only the racing bets levy, but also the accommodation. I remember that in our old office it was about \$189 per square metre. Our office space is about 1,700 square metre but then, yes, around 2010 or 2011, we negotiate a lease for accommodation. I remember at that time there's quite a high demand for office in the city, in the central business district. So the new lease we negotiated increased by 124 per cent, so that is also one of the reason we have to

45

pass on the increase in the expenses, in terms of accommodation, to GWC and tribunal as well.

5 MR SHARPE: On that question of your making a recommendation about the recoupment fee, then it goes through your director up to the Director-General, Mr Sargeant, then Mr Sargeant determines what the recoupment fee should be, is that how the process works?

10 MR NG: Yes, we sat down with the Director-General, roughly in early March, because my accountant will complete a draft for the budget, GWC budget, for the following year. What happens is we complete a draft and put in our recommended recruitment rate. But it very simple, we just use last year, plus the CPI, we put in the spreadsheet in the draft budget, and then we sit down with Barry Sargeant. At that
15 time, he's also involved the Deputy Director-General, so because the Deputy Director-General ---

MR SHARPE: Who is the Deputy Director-General?

20 MR NG: It changed hands, so I think more lately would be Mr Connolly. So because --- or sometime it's the compliance manager or director. They keep changing the office restructure. So we sit down together, sometime even my immediate boss would be there, but not always. So we sit down together and go through the budget and because only the Deputy Director-General and the DG would
25 know exactly the business of the Department, the status, so whether they will have more activities in the coming year or they will be reduced in scope in the activity. For example, they will be the one who knows whether there is an increase in the scope of activity for the RAWWA or the Racing and Wagering of WA. So if there is expected increase in scope of activity, then we would charge RAWWA more. So
30 what I'm trying to say is all this must come from someone who is responsibility and know what is going on for providing the services. At the end, it was Mr Sargeant as DG to decide whether this recoupment rate was appropriate or not. And also I think I remember --- I think in my witness statement I also mention a example. In one year it was, the DG ask for a zero budget. What that means is a zero budget is no gain, no
35 loss. So it will be like to get a (inaudible) no gain, no loss. That means some number, the number would have to be massaged so as to achieve zero budget. Again, the exercise, finance just present the current conditions with any changes in any variable. So we just do our best to give a draft budget. That is, it will be looked like that and will be (inaudible) maybe surplus by 10,000 or loss by 50,000. Then
40 that's why in the meeting the DG, the Director-General, and/or the Deputy Director-General give the input, hey, I think there may be an increase in the scope of activity, so recoupment can go up. That's what I can explain.

MR SHARPE: You would put up a recommendation and you would have a
45 discussion with the Director-General, Mr Sargeant, and with the Deputy Director-General or any other senior executive officer. If the Director-General --- you say he would decide if it was appropriate or not, the recoupment fee that has been proposed, and if he decided it wasn't appropriate, what would happen?

11:00AM

MR NG: Then really he need to give indication of direction to us, what he want to achieve, like a zero budget. We will not have accrual (inaudible) why he want to achieve a zero budget or not.

5

MR SHARPE: Then the Director-General would require you to do further work or would he tell you what the fee would be?

MR NG: We have to work with the number to achieve what he wants.

10

MR SHARPE: Then that number, the recoupment fee, that number would then be put into the Department's budget as a revenue item?

MR NG: It was shown in the Department's budget paper. Need to clarify bit more. The Department is budget centre agency. We receive the appropriation from Treasury. But GWC and tribunal, they are not --- well, I would say they were not (inaudible) I don't know what happened now, and they were non-budget setter agency, so people could not find their budget details in the State Budget paper because they had their own self-generating revenue, so they did not get appropriation directly from the Government.

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20

MR SHARPE: The question was whether the service charge, the recoupment fee, as you call it, would appear in the Department's budget as a revenue item?

25

MR NG: Yes. So if you look at the State Budget paper, there is at least three areas you can identify it. First, in the income statement, we call statement of financial performance, there is a line called provision of goods and services. They are sitting in there. And then in the cash flow statement there is also equivalent line item, like provision of service and goods. And also the last one is in a table called net appropriation determination, near the end of our budget. In that table you can see there is a provision of service to the racing and gaming industry. So that line item, that is where the recoupment rate will sit there. But apart from that, you could not find any budget details of GWC in the Department budget.

30

35

MR SHARPE: The service charge which is determined through the process you have outlined would also be included in the GWC's budget as an expense that it would incur?

MR NG: Sorry?

40

MR SHARPE: The recoupment fee would appear also in the GWC's budget as an expense?

MR NG: Correct.

45

MR SHARPE: Is it the case that the Department was, essentially, setting one number, one recoupment fee, which would appear both in the Department's financial

statements and also in the GWC's financial statement?

MR NG: Correct. Supposed to be reciprocal, supposed to be identical, yes.

5

MR SHARPE: When you were the CFO, is it correct that there was a monthly payment made from the GWC to your Department for that service charge, recoupment fee?

10 MR NG: Yes, correct.

MR SHARPE: Was there an invoice generated for that monthly payment?

MR NG: No, no invoice.

15

MR SHARPE: How was that payment made?

MR NG: It is also my usual practice I want to have some documentation, so you can't just give back payment without some document. But the problem is I need to --
20 - how to attach that supporting to the cash payment voucher. So I use the previous model. It got a list of the items, like salaries, employee salaries, superannuation overhead, accommodation. I can't remember whether there is a depreciation item there or other operating expenses is itemised like that. But that is based on the previous model. What I focus only on, I focus on the bottom line figure. So I use
25 that spreadsheet model, like that one, for example, 3 million at the bottom, I still refer to that spreadsheet and in the Excel, I put a CPI percentage and I just derive the appropriate new common rate from there. So I just use it as supporting because that one is also sometimes --- how do you say? Mr Sargeant also want to park, to park
30 some money in the GWC. So what happened is in the old day in the spreadsheet there would be item called super overhead. It's a superannuation overhead. When I came on board, it's already the practice there. So what happened is we would not pay this amount, like 20,000 called super overhead, this year, we will pay it next year, so that is to enable GWC to keep the money for a while. But I don't know what was the
35 real intention of Mr Sargeant, I just follow what we had done in the past. So that spreadsheet would serve me or help me because I still need something to support what the figure we need to park in the GWC.

MR SHARPE: When it came to that monthly payment, was there any involvement from the GWC in authorising that monthly payment?

40

MR NG: No, because it's already approved. We base on the approved budget by the minister, as the authority. So what happened is there is segregation of duties in my team. Normally someone will raise the invoice --- not the invoice, the cash payment voucher and attach maybe a copy of minister approval with his signature and then
45 maybe included the spreadsheet I mentioned earlier. So just someone in my team raise it and someone approve it in the system and someone release the payment.

MR SHARPE: If there was a case where there was a variation upwards, so the

monthly payment needed to be greater than what had been authorised by the GWC in the budget, would that payment still be made?

5 MR NG: All will be sorted out in early June because we pay up to May. So far so good. So then in early June we sit down with Mr Sargeant because I would present -- finance would present two sets of accounts; one is the Department, one was GWC, their financial position as at 31 May, so the DG can make decision. So we discuss with him, show the DG that is the latest financial position of GWC and that is for the
10 Department. So then he may have some idea about the business activities, the inputs of the Deputy Director-General because the Deputy Director-General was in charge of the KPI. So it's also one of the requirement in the annual budget process, have to complete their KPI details in the budget paper by May or by April. So the compliance section or operations section under the Deputy Director-General should
15 have the KPI details from 1 July at least up until early April or May. So what he had to do is add on top of it for any estimate KPI statistic, maybe from 1 June to 30 June. Then will have consider (inaudible) to see whether there is reduce in scope of activity or we have done more. If we have done more, we never charge GWC. But if we find that we have done less, then we --- not we, top management would
20 consider whether there will be a reduction in the recoupment rate.

MR SHARPE: If, for example, there was a variance upwards in a capital expenditure, which would mean the total recoupment, including both the recoupment fee and the capital expenditure, meant that the monthly payment in June would be
25 greater than had been authorised by the GWC in its budget, would that payment be authorised by Mr Sargeant alone or would that payment go back to the GWC for approval?

MR NG: Yes, good question. I know where the question coming from. If more than
30 budget, I would think they would seek a signature from the Deputy Director-General or relevant top management, because we could not --- we would not approve it from the finance, you know, hand over by finance. But I could not confirm right now because I could not remember.

35 MR SHARPE: Do you recall at any point when that reconciliation process happened, if the GWC was ever involved in authorising any payment at that time?

MR NG: If I'm not wrong, that one year I think the capital expenditure was over the budget. I think that year, the budget was 300,000, 300K, but it turned out to be 558
40 but I could not remember whether --- I not recall. But my practice, well, the best financial management should be to seek the top management to approve it. But I think people can verify it. Can go to the FMIS, the Financial Management Information System, and because we attach all the supporting when we make the payment so we would attach to the cash payment voucher. I think by now maybe
45 four or five years ago. They always will have been supporting. But whether they got the signature from the top management I could not 100 per cent confirm here, but likely it would be.

11:12AM

MR SHARPE: Commissioner, I am about to go to a new topic. It might be worth taking the morning tea break now.

5 COMMISSIONER JENKINS: Yes, certainly. Mr Ng we will take morning tea now. We will take a break. If you can be back here in time to recommence at 11.30. Thank you.

MR NG: Okay.

10

COMMISSIONER JENKINS: We will adjourn until 11.30.

ADJOURNED

[11:13A.M.]

15

RESUMED

[11:31A.M.]

20 COMMISSIONER JENKINS: Thank you, please take your seats. Yes, Mr Sharpe?

MR SHARPE: I call up GWC.222.0016.0034 at page 253. You shouldn't show page 1 because that is subject to a non-publication order. Mr Ng, do you see this is the budget briefing paper for 2011/2012?

25

MR NG: Yes.

MR SHARPE: And that it was prepared by you and dated 15 March 2011?

30 MR NG: Correct.

MR SHARPE: There is an item "Capital expenditure - other" for \$300,000; do you see that?

35 MR NG: Yes.

MR SHARPE: It states:

40 *Funds is required for the build, development and implementation of new modules of the racing, gaming and liquor systems (RGLS), such as the casino employee, bookmaker managers bookmaker employees and gaming operators modules.*

Do you see that?

45

MR NG: Yes, and this detail coming from either IT manager or the DG.

11:33AM

MR SHARPE: This system you are referring to here, is that a system that will be owned and operated by the Department?

5 MR NG: No, it is spread over the other two agency, that is the GWC and casino, because they want a one shop for all the three agencies, so customers could go to the one online portal to launch their application and make payment. That's the idea.

10 MR SHARPE: But the Gaming and Wagering Commission itself doesn't have any staff, does it?

MR NG: Sorry?

15 MR SHARPE: The Gaming and Wagering Commission itself does not have any staff?

MR NG: No.

20 MR SHARPE: Employed staff?

MR NG: (Nods head).

MR SHARPE: So the staff who will be operating the system ---

25 MR NG: Yes.

MR SHARPE: --- will be departmental staff?

30 MR NG: Correct.

MR SHARPE: Would it be the Department who owned the software?

35 MR NG: Yes, it would be in the Department's fixed asset because we did not maintain a fixed asset register for the GWC and the tribunal. I think the terminology --- maybe I have confused people. It may be put into a contribution or share of the Department's capital expenditure instead of putting an item line there.

40 MR SHARPE: Yes. In your witness statement at paragraph 131, you refer to it again as actual capital expenditure. But, as you have just explained, it would have been more accurate to describe it as a contribution?

MR NG: Contribution, yes.

45 MR SHARPE: Because the asset will not be owned by the GWC?

MR NG: Correct.

MR SHARPE: Operator, can we go to GWC.0002.0016.0063 at page 395. Once

again, please don't show the first page.

MR NG: Sorry, I can't follow. Which page?

5

MR SHARPE: It will come on the screen. This is the financial report to 30 June 2012. You see that?

MR NG: Yes. Correct.

10

MR SHARPE: You will see under "Operating Expenses" you have identified the actual expense for capital expenditure was higher than budgeted by \$257,928. Then you refer to the fact there are other savings, there are savings in other expenses?

15 MR NG: Yes.

MR SHARPE: But that the total operating expense was \$164,295 above the budgeted amount?

20 MR NG: Okay, yep. I follow, yep.

MR SHARPE: Given that this expenditure was more properly characterised as a contribution, would it have been more appropriate for the GWC's approval to be sought for the increase, given it wasn't purchasing the asset for itself?

25

MR NG: Yes. In terms of contribution made, yes, I agree it should go to the GWC for approval.

30 MR SHARPE: Do you accept that what is being put here is the GWC is being told, after the fact of payment, that it has paid more for that contribution?

35 MR NG: Yes. But, yeah, I think --- at that time, I could not recall what happened around that time. There may be --- Mr Sargeant may have discussed or something like that but it's out of my knowledge. I can't confirm, I'm sorry. But for sure there is over payment. Not over payment, but over the budget by 257K, yes, so it would be required someone to approve it.

40 MR SHARPE: I ask you to note the conclusion there that the total operating expense was higher by \$164,295. So that is the recoupment fee, plus what was called capital expenditure.

MR NG: Plus other operating expenses.

45 MR SHARPE: Yes.

MR NG: Yes.

MR SHARPE: Would you like to see the data for that or are you satisfied that is

11:39AM

correct?

MR NG: If you can show me the breakdown or the statement of ---

5

MR SHARPE: If you go to the next page, operator.

MR NG: You can see in the total operating expenses, the line there, year to date variance will be \$164,295. The breakdown for this 164K is because of saving in the board member, saving in the super expenses and saving in the conference, and there was over budget in capital expenditure and saving in other operating expenses. I think operating expenses may be some miscellaneous one. I could not give you more detail. So on that one, you can see the service charge or recoupment fee, there is no difference. That means it's fully paid for this 4.3 million.

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15

MR SHARPE: Yes, but the total operating expenses have come in \$164,000 above the budget, haven't they?

MR NG: Yes. Correct.

20

MR SHARPE: Can I take you to your witness statement at paragraph 183. You have said the Department never charged a recoupment fee that was above the budgeted recoupment fee. However, the total fee charged for that year was above the budgeted amount because of that capital expenditure, wasn't it?

25

MR NG: Correct.

MR SHARPE: You have said in paragraph 184 that you didn't consider you had any conflicts of interests while you were employed at the Department because the recoupment fee was always at or below budget. But if there is a year, such as this year we have seen, where the actual amount recouped from the GWC was above budget, do you consider that puts you in a position of conflict?

30

MR NG: Capital expenditure, to my understanding, that is an ad hoc one, so it won't happen every year like that. So it is also because the Department at that moment, really desperate for cash resources. And also there is over spend, over budget in the capital expenditure and DG will need to find a way to pay for the invoices. So I understand that there is over budget but DG was fully aware of it. And no payment would be made without his or his equivalent top management director's approval. I can only say that finance, including myself, would just take the instruction.

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MR SHARPE: Operator, can we call up PUB.0004.0006.0167 at page 0233. This is the Department's annual report for 2011/2012. Can we enlarge note 15, please. Mr Ng, I would like to draw your attention to the phrase in the middle of the page, the sentences in the middle of the page:

45

The Department has a significant exposure to the Gaming and Wagering Commission of Western Australia. The Commission is expected to settle its

debt of \$620,030 (2011:\$407,451) in due course.

5 Can you explain to me why the GWC was in debt to the Department in 2011 and 2012?

MR NG: Well, without offhand any details, what I can say is the one I mentioned earlier, Mr Sargeant want to park some money in the GWC. Something like that should be paid in this financial year but I think in that way we still accrue
10 accounting. So I think I need more information so that I can give you an answer because based on this one, I could not tell you, give you any explanation.

MR SHARPE: Did the GWC have sufficient funds in 2011 and 2012 to make those payments; are you aware?
15

MR NG: Can you go to another page called "Cash resources"? There you can tell. I think maybe going up.

MR SHARPE: Operator, are you able to find a page called "Cash resources"?
20

MR NG: Yes, I think it --- if you move up for two more. Sorry, maybe going down there. Yes. No. Sorry, maybe going up to where I can stay stop, where you can see the bank balance of the Department. Keep going. Keep going up. Keep going up. I just need to find the "Cash resources" section. Going up, please. Up.
25

MS SEAWARD: It might be 217, operator.

MR NG: The bank balance. One more. And then up one more, please. You can see the cash resources (inaudible). You can also see the receipt but with 962 in 2012. So
30 it is a significant increase from 2011. But from here I don't have the details of information. I can't explain to you such a significant increase in the receivable.

MR SHARPE: Operator, can we call up GWC.0007.0011.0043. This is the agenda for the GWC meeting of 24 March 2009.
35

MR NG: Yes.

MR SHARPE: Please go to page 497. This is the 2009/2010 budget. Operator, can you scroll to the next page. That is prepared by Barry Sergeant, Director-General.
40 Please go back to the previous page. The second-last paragraph, operator, can you zoom out the bottom section in relation to the operating expenses? The middle bullet paragraph is a report from Mr Sargeant or information from Mr Sargeant:

*Recoupment for services received from RGL has increased by \$771,344, due to
45 a review of fees and charges exercise undertaken by RGL. This figure is now a true indication of the costs and services provided by the Department.*

What is your awareness of that review that was conducted by the Department?

MR NG: I think I was away and someone was in the acting position. But I knew about the review of fees and charges because Mr Sargeant engaged a ex-employee called Mr Ray Yanga{?} to come back, and also doing the acting Director of
5 Corporate Services, to do a review of the fees and charges. And he complete it and I think, if I'm not wrong, Mr Yanga did ask me some questions about the total cost of services of the Department, so that he can put into his calculation. So at the end, the funding or most of the revenue or the fees and charges of not only the Department but also the gaming --- GWC and tribunal (inaudible) for recovery. So that's the
10 information I can share. But other than that, how to come up with 771K, I could not tell.

MR SHARPE: You earlier gave evidence that from the 2002 --- 2007/2008 period, there was a reliance on CPI increases from that point, subject to changes in the scope
15 of work that was provided.

MR NG: Yes.

MR SHARPE: But this is clearly a divergence from that approach, isn't it, because
20 that's not a CPI increase and it's not based on a change in scope of work. It is based, apparently, on a review of the way the calculation is performed; is that correct?

MR NG: I can't say for sure, but bear in mind I mention earlier, there is a significant increase in accommodation. I will say it would be factored into this calculation.
25 But, again, I was not involved, so that is the best I can mention.

MR SHARPE: In the context of a budget of 3 million or so, an increase of 700,000 or so is about a quarter of the budget for that recoupment fee. Is it a matter of concern to you that the Department had failed to properly calculate the total cost of
30 services for a number of years leading up to this review, if this review was accurate?

MR NG: I'm not sure whether I'm in the best position to answer this question because I was not involved and, really, I don't know all the costing or any information related to these fees and charges.
35

MR SHARPE: Do you consider that the fees you calculated up until this review was done were all inaccurate by a quarter?

MR NG: No, I wouldn't say that is inaccurate, it's just Treasury try to push --- if
40 that's the right word to use. Tried to ask the agency to remove the fees and charges in the direction of full cost recovery. So I assumed that prior to this exercise, the Department, the review of fees and charges was never up to full cost of recovery. That means the State Government subsidise liquor licensing or licensing activity. It is subsidising, so --- because they are not charging client or customer the full cost.
45

MR SHARPE: But wasn't it the case that the full cost recovery was brought in during the 1990s and so by the time you were there in 2000, you were meant to be

calculating full cost recovery when you were doing the method of calculation you explained to the Commission earlier?

5 MR NG: I beg your pardon?

MR SHARPE: The full cost recovery approach was implemented in the 1990s, wasn't it?

10 MR NG: I can't remember.

MR SHARPE: When you commenced in March 2000 and you were performing the task of calculating the service fee, you understood that you were calculating the service fee on a total cost of service basis, didn't you?

15

MR NG: There's a distinction. I need to clarify. What we are doing is on different directions. With fees and charges, for the revenue side, what we are doing with the recoupment fee was based on the total cost of services, that is expenses. Because the Department is delivering these services to the community, we are not-for-profit organisation. So our focus or target is mainly focused on continuing costs, so we are focused on how to recoup all the costs in delivering the services. So the review of charges is, from my understanding, it would be the fees and charges, taking into account the number of variables. I think it seemed to be a different direction.

20

25 MR SHARPE: In 2000, when you were calculating the service fee --- from 2000 until 2007, you were calculating the service fee in the way I have outlined. That was on the basis of a full cost recovery approach, wasn't it?

MR NG: That's correct, but we are taking the approved budget, the total cost of services. We are not looking at the revenue side. It's only all the expenses that included salary, accommodation, depreciation and so on, but not related to the revenue in that area. That's all I can say.

30

MR SHARPE: No. But did you consider that you had, during that time from 2000 to 2007, failed to properly calculate the full cost of the services by a factor of 25 per cent, by a quarter? Were your figures wrong by a quarter during that time or were they correct?

35

MR NG: I can't understand this question. Can you ---

40

MR SHARPE: During the time from 2000 until 2007 ---

MR NG: Yep.

45 MR SHARPE: --- do you maintain that you correctly calculated the total cost of the services that were being recovered by the recoupment fee?

MR NG: Well, I would say so. That spreadsheet (inaudible) ascertain the percentage

nearly --- most of the staff in the Department, they spent in which activity and then we end up with the recoupment rate. But I think there is a focus on the total cost of the services.

5

MR SHARPE: Would you be surprised if someone did a review and found you had been under-calculating by 25 per cent the cost, the recoupment fee?

MR NG: I think I'm left behind. You mention 25 per cent.

10

MR SHARPE: If someone did a review of your calculations from 2000 until 2007 of the recoupment fee and found you had been under-calculating it by 25 per cent, would you find that surprising?

15

MR NG: Yeah, but I haven't experienced such an incident or experienced something like that.

MR SHARPE: Because you prepared those figures carefully?

20

MR NG: Well, if they can justify their findings to prove that we are wrong or the figure doesn't make sense, yes, I will follow and have a look.

25

MR SHARPE: Just a moment, Mr Ng. I take you to paragraph 124 of your witness statement. You state that in 2006, as part of the process described above, Mr Sargeant indicated that he thought some money should be returned to the GWC and you recall Mr Sargeant indicated a figure of around \$400,000 to \$500,000. Can you recall the basis on which Mr Sargeant reached that decision?

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MR NG: Because of annual costs, as I described earlier, early June, we will prepare two sets of financial reports, one for the Department and the GWC. And then we sit down with the Director-General to see whether there is a possibility or justified to return money to GWC by way of a reduction in the recoupment rate. So I believe that some discussion and the final decision was made to return, if I'm not wrong, maybe \$400,000, return it to GWC, based on, if I'm not wrong, the financial position of the Department at that time. So the Department, I think their estimated budget is greater than their actual by around late May or early June. That's why the Department have the capacity to pass on the savings to GWC.

40

MR SHARPE: I take you to your witness statement at paragraph 182. You say:

In fulfilling my role, I did my best to assess the GWC financial position in an impartial way and ensure that the recoupment fee that the Department charged GWC was fair, reasonable, justified and also ensured their sustainability.

45

MR NG: Yes.

MR SHARPE: But based on your evidence today, wasn't it essentially that Mr

Sargeant determined what the recoupment fee would be?

5 MR NG: Well, yes, he was the one to make decision to determine appropriate
recoupment rate and whether to return or not, but based on --- to justify, based on
some performance measures. So not just say return half million without any
supporting. That is one of the indication of good financial management practice, to
sit down to review the financial position of GWC and the Department. I give you an
example. In the year 2016, the bank balance of the Department, I think, is 27,000.
10 But in 2017 it increased, improved to \$1 million. At the same time, the gaming
commission, GWC, their cash balance in 2016 I think was \$448K, but in 2017 it
improved to more than \$1.4 million. So you can see that it was good financial
management practice we restore --- assist the Director-General to restore the
financial position of both departments. So we did it on a continuous basis and
15 impartial. We found it is a fair game. We found savings, it would be passed on to
GWC and we would (inaudible). However, having said that, I notice that there is a
couple of year there is no return, no reduction. But this is also based on other
conditions. You can't afford (inaudible) you cannot make any reduction because,
like what I say, in 2016 the bank balance of the Department only 27,000. And of
20 course the most important thing is based on the performance measure, whether the
expected or the target level in performing or delivering the activity is fall --- sorry,
the other way, the actual performance is fall short of the expected or the target level.
I think that is the most important foundation we have to look at, that they make
decision to return the money to the GWC.

25 MR SHARPE: Turning to your witness statement at paragraph 164, you say:

30 *Whilst I was employed as the CFO I was never asked by any GWC board
member to address the method used to calculate the Department's recoupment
fee to the GWC.*

MR NG: That's correct. Nobody contact me or try to get any information from me
or through my immediate supervisor, or whoever.

35 MR SHARPE: With the benefit of hindsight, do you think you should have
volunteered an explanation in the briefing papers you were providing about how the
service fee was calculated?

40 MR NG: Volunteer in what way? I think, to be honest, I have restricted access to
the board meeting, or whatever. I was not involved. If anything go to the board, it
always has been reviewed, added and even published by Barry Sergeant. Even the
monthly report, you showed it in this session, even I signed at the end, it has been
reviewed, edited and published by the DG.

45 MR SHARPE: Turning to paragraph 174, this concerns the sum of \$500,000 which
is identified in the Department's annual report for 2016/2017 as "Grants to
Individuals Problem Gambling". You accept that sum of \$500,000 is redirected to
the Department of Local Government and Communities. Do you agree that calling

that line item "grants" is not an accurate description of the transfer of that sum to that other Department?

5 MR NG: I cannot say for sure because this item, the narration of something like that, may be at the request of Treasury because we --- this sum of money or this initial
appropriation was the result of --- I think, if I'm not wrong, was to do with the casino
expansion. So there was \$2 million in the first year allocated to --- as a problem
10 gambling fund, and pass it on to the Local Government and Communities, and this
one is shown to the Department's minister's transactions. So I can't say for sure why
the name was named like that, because when we submit data to Treasury, they need
to have a particular name. So, having said that, I can't say for sure whether it came
from Treasury or whoever make the decision to name it in that way.

15 MR SHARPE: The other aspect to the name is "Problem Gambling", the other
aspect of that label "Grants to Individuals Problem Gambling", and you accept that
money is going to the Department of Communities under the MOU concerning
financial counselling services. Does that suggest that the problem gambling part of
that description is also not an accurate description of that line item?

20 MR NG: First, the MOU, I never ever heard of it. It catch my sight when I receive
the question from the Royal Commission maybe less than 10 days ago. I was not
aware there is an MOU related to that one. Without knowing anything about the
MOU or any detail, except that it show in the money granted to --- we would pass it
25 on to racing --- the Department, as a minister transaction, and then we pass it on to
the Department of Communities upon receive their invoices. So apart from that, I
have no knowledge about this program.

30 MR SHARPE: As Chief Finance Officer, weren't you responsible for ensuring that
the annual reports were accurate?

MR NG: Yes.

35 MR SHARPE: Should you have made further investigation at the time about
whether that was an accurate description?

MR NG: Again, that's why I say I'm not sure whether the terminology came from
Treasury or not. I can't say for sure.

40 MR SHARPE: Operator, please call up GWC.0007.0011.0225. This is a GWC
agenda for 30 June 2005. Go to page 394, please. Can we see the previous page as
well? Sorry, operator, can we go to page 388. This is an agenda item to that meeting
for 30 June 2005. It's the budget document for 2005/2006, attaching the budget
estimates.

45 MR NG: Yes.

MR SHARPE: Can we go over the page, please. You will see that document is in

the name of Mr Halge.

MR NG: Yes.

5

MR SHARPE: Please look at the top right of the screen, noting that on the bottom left of the screen it has:

10 As indicated above, the services provided by the Department of Racing, *Gaming and Liquor* has increased to 2.93 million which is made up of the following items

Are you able to explain how that breakdown has been produced?

15 MR NG: I'm not quite sure. I think I mentioned earlier the salaries and also the super overhead, something like that I mentioned earlier. So that is --- when we prepare the budget for the Department and (inaudible) came up with the recoupment rate or the recoupment fee. So that is the apportion that we'll have to charge GWC. So I think this one was done for the package prior to 2007. So that is the bottom line figure. The 2.9 million is supposed to be the recoupment fee for that year.

20

MR SHARPE: But can you explain those items that are set out there?

MR NG: Okay. Salary. I mention earlier that salary --- have the salary budgets. So we populate all the salary budget detail into a master budget package. The workers
25 compensation, accommodation, electricity and also corporate services are non-core business, so we have to allocate a share, a portion of the corporate services salary and non-salary into GWC or in the part --- yes, GWC. And then superannuation, because they are the combination of the core business expenses, plus any allocation from the non-core business. So it is A plus B and end up with the total full cost of service
30 provider. It's a full package, the Excel spreadsheet package we undertook, because it pick up all the item, it is salary, workers compensation, accommodation and then the last one is full allocation of the non-core business into the GWC and the tribunal as well. And all-in-all, this came from --- the approved total cost of service approved by Treasury.

35

MR SHARPE: I take you now to the financial year ending 30 June 2012. First, I take you back to the financial report to 30 June 2012 for that year. Operator, call up GWC.0002.0016.0063 at page 395, please. Can you go to the next page? There you have reported services by DRGL, and year-to-date budget and year-to-date actual
40 figures are the same; you see that?

MR NG: Yes.

MR SHARPE: Next, go to the GWC's annual report for 2011/2012. Operator, I call
45 up PUB.0002.0001.0061 at page 0114, please. Can we bring out note 15. Mr Ng, this is an explanatory statement about variances?

MR NG: Yes.

5 MR SHARPE: Under (i), "significant variances between estimated and actual result
for 2012". It shows, for services and contract fees, a variance of 185,673. Then
towards the bottom of the screen, "services and contract fees", the variance was due
to the increased recoupment paid to the Department of Racing, Gaming and Liquor
for the provision of services. So there is an inconsistency, in that the annual report
10 shows it as being a recoupment above the budget, when your earlier statement
showed that they were at budget. How do you explain that inconsistency?

MR NG: That is wrong. The description in the "services and contract fees" is
wrong. I overlook it, because the appropriate or the correct description should be the
variance was due to the increase in the capital expenditure. Someone put it there and
15 I overlook it. I think at that time, maybe people were comparing the full 326 million
recoupment fee against the year ahead, because --- not year ahead, the year before is
4.2 million, so from 4.2 million jumping to 4.26 is an increase. Comparing the actual
recoupment rate from 2012 and 2011, instead of comparing to the 2012 estimate. So
it was wrong description. So I admit that was an error here.

20 MR SHARPE: I take you back to your witness statement at paragraphs 130 to 131.
At paragraph 130, you say the actual recoupment fee to GWC was \$4,326,000 and
the capital expenditure was \$557,928. Adding those figures together should have
resulted in the recoupment from the Department being \$4,884,000. The actual figure
25 was \$4,811,000. You have said at paragraph 130 that, in your view, the figure in the
Department's annual report should be \$4,844,000. Is it a concern to you that there is
a discrepancy in both the Department's annual report and an apparent discrepancy in
the GWC's annual report, all concerning the variance on recoupment fee?

30 MR NG: It is a concern. You now identify two mistakes I made, the one I
mentioned earlier, the other one is here. The Department's annual report in that year
was wrong. The \$4,811,000 was wrong, I believe. I believe someone in my team
just added the wrong --- put the wrong figure. Can you show the RGL annual report
for that issue? I can explain to you more then.

35 MR SHARPE: Yes. Call up PUB.0002 --- sorry, that's the wrong one, that's the
GWC annual report. The Department's annual report is PUB.0004.0006.0167 at
page 0232.

40 MR NG: Yes, it's in "Note 12, Net Appropriate Revenues, Gaming and Wagering
Commission of Western Australia, 4811". It should be 4884. So I think the report it
is error. The difference will have to adjust it in under the "Liquor fees and other
charges, 5,553". So the figures will be 4884. It should be identical to the record, to
the figure in the GWC. So I admit another mistake or error I overlook.

45 MR SHARPE: If I can just take you to an overview document. Operator, please call
up PCRC.0004.0008.0001. I will ask you to disregard the third column and the
fourth column because (inaudible) outlined in your witness statement you only refer

to those actual service charges but I do take it you accept the budgeted service charge is correctly stated in this document?

5 MR NG: I spend some time to reconcile it. I notice there is four figures in the year
of 2009 that is --- the figure should be 3,345. The difference, 260, is the capital
expenditure. And then the other one is in 2012, the figure should be the same 4,326
with the 558 as the additional capital expenditure. And then came to 2014, sorry,
10 2015, the difference means 401. It is a rounding difference. So because there was
400K, I mean capital expenditure. And the last one is at 2016, is it, 2016, you end up
with 101 difference because there is 100K in the capital expenditure. So if
comparing apple to apple the recoupment fee should be the same but the difference is
because of the capital expenditure. So all the rest, up to 2017, are okay except these
four.

15

MR SHARPE: Now, if you focus on the budgeted service charge, you will see that
from 2006 to 2012 the budgeted service charge increases from 2.938 million to 4.326
million, which is an increase of 47.2 per cent, or an increase of \$231,000 per year.

20 MR NG: If the figure have been rectified in accordance with what I mentioned there
because 2009 and 2012 rectified, my calculation is only increased by 70 per cent.

MR SHARPE: (Nods head).

25 MR NG: However, it is a significant increase because we mention or discuss earlier
because the changes in the introduction or in the implementation of racing
(inaudible) and also the increase in accommodation. So these are the factors we have
to, you know, take into account of the increase.

30 MR SHARPE: That service charge the Department charges is to the Gaming and
Wagering Commission, that's the major expense for the Gaming and Wagering
Commission?

MR NG: Correct.

35

MR SHARPE: You can see the casino fee in the third column from the right, casino
licence fee, has increased from 2.217 million in 2006 to 2.556 million in 2012 and
that is an increase of 15 per cent. And the casino fee is the major source of revenue
for the Gaming and Wagering Commission, isn't it? The largest single ---

40

MR NG: Yes, I would agree.

MR SHARPE: So what this shows, this table shows, is that from 2006 to 2012 the
budgeted service charge is increasing three times faster than the casino fee, do you
45 agree?

MR NG: Yeah, it did, but bear in mind it also returned a lot of --- return 2.5 million

back through the reduction in the recoupment fee to GWC over the period. So if someone can --- sorry, can validate what I say is 2.5 million return to GWC.

5 MR SHARPE: (Nods head). Do you want some more water?

MR NG: I'm fine.

10 MR SHARPE: Do you consider that at 2012 there ought to have been a warning given to the GWC that its expenses were increasing much more quickly than its revenue?

MR NG: Yes, I can see that. All those are the increases in scope of activities, introduction of the racing bet levy, return and so on.

15

MR SHARPE: Do you agree that there should have been a warning given to the GWC in 2012 that its revenue was --- that its expenses were increasing much more quickly than its revenue?

20 MR NG: That's why I say we sit down every year in early June with the Director-General to go through the financial position of GWC.

MR SHARPE: I understand that. But I'm asking you do you think that the GWC should have been given a warning in 2012 that its expenses were growing at a much greater rate than its revenue?

25

MR NG: I would say so.

MR SHARPE: Are you aware of whether any such warning was given?

30

MR NG: I don't worry about much because the DG was in total control. And bear in mind that my DG is also a CPA so he may know more than I do.

MR SHARPE: Can we call up GWC.0002.0016.0034 at page 253. So this is the briefing paper for the budget in 2011/2012 that you prepared. You will see at the foot of the page you identify there is a deficit in the budget estimated at 554,000.

35

MR NG: Yes.

40 MR SHARPE: This is a combination of, you say, of the 300,000 capital expenditure for ongoing GWC system development and recurring normal cost of operation which had been budgeted for with a deficit of \$254,000. With the benefit of hindsight do you think you should have given the GWC a warning about the fact that it was running such a substantial deficit?

45

MR NG: This one is addressed to the chairman, and the chairman is Mr Barry Sargeant. We have to go through the budget process with him. He should be 100 per cent sure the GWC position, financial position. So that is the briefing note

that I prepare. But again as what I mention earlier, everything I wrote to the board has been reviewed, edited or even published by Mr Sargeant, so he should know. He was involved in the budget process with finance people and he was the decision-maker to determine and approve the budget. I mean, he need --- I know --- to be (inaudible) should be approved by the board, but what I say is he passed it first. He agreed with it and presented it to the board for final approval.

10 MR SHARPE: No further questions.

COMMISSIONER JENKINS: Thank you, Mr Sharpe. Any counsel who wish to examine?

15 **CROSS-EXAMINATION BY MR FIRIOS**

MR FIRIOS: I act for the Crown Group. You mentioned in your evidence this morning that the GWC is a self-generator of revenue. Do you remember that?

20 MR NG: Sorry, I can't pick up what you say.

MR FIRIOS: Sorry, you mentioned this morning that the GWC is a self-generator of revenue, it earns its own revenue. I would like to go through that with an example. If we could turn to GWC.002.0016.0204 at page 153. And if you zero in on "Recoup Lottery West". This is one of the items mentioned in your witness statement, "Recoup Lottery West". This is describing a fee that the GWC receives for services provided to Lottery West. Can you tell us a bit about how that number is calculated?

30 MR NG: I could not help here because it was not prepared and delivered by the finance section. It was done by the director or manager of compliance in the business section.

35 MR FIRIOS: I see. Do you have any understanding of how that fee is earned by the GWC?

MR NG: To my best recollection is every year the compliance manager or director, who will make an estimate, of course in accordance with whether there will be any increase in the scope of activities for the Lottery West, and then they will determine the --- well, I would say prepare a memo for the service charge to be recouped from Lottery West for the service rendered or provided to them. I think at the end it should be signed off by maybe Mr Sargeant or Mr Connolly. So on that issue finance was not involved. So we just --- they just give us a copy of the memo with approval maybe from the minister or from the DG. So I could not say for certain here. They will give us a copy of the memo with someone sign it, approve it.

MR FIRIOS: I see. And you can see the amount ---

MR NG: Then we would raise invoice based on that memo against Lottery West I think maybe quarterly. We raise invoice against Lottery on a quarterly basis.

5 MR FIRIOS: Right. And the amount here is estimated as \$114,000. Do you have any sense of how much revenue Lottery West earns in a given year?

MR NG: No, I can't.

10 MR FIRIOS: If I said it was in the hundreds of millions of dollars would that sound right or you have no idea?

MR NG: No, I can't tell. I don't think finance got the information.

15 MR FIRIOS: Thank you, Commissioners.

COMMISSIONER JENKINS: Thank you, Mr Firios. Anyone else?

20 **QUESTIONS FROM THE COMMISSIONERS**

COMMISSIONER MURPHY: Just a couple of questions if I can, Mr Ng.

25 Mr Sharp asked you extensively about the recoupment fee. I will try and summarise my understanding that historically there was a 70/30 split and that was varied year on year based on two items; which is activity and the position to pay. I mean, it is outlined in paragraph 93 in your witness statement. So you would consult with the Director-General, who was also the chair of the GWC, who advised whether there was a change in the activity level, which would influence the fee, the recoupment
30 fee, and also he would look at the capacity of the GWC to pay. Would that be a fair statement of how the recoupment fee is ---

MR NG: Yeah, that would be --- after the discussion and with all the funding justified, I mean, I got all the information from the operations divisions, with some
35 statistics to justify for any reduction of the recoupment, I would prepare a memo and addressed to Mr Sargeant, and he will sign it. And then it is my usual practice to keep that memo in some other area, like in the working paper of our year-end financial statement so the auditor, external auditor can have access to it and examine it. The other one is when we make the payment back to GWC we will cash that
40 memo with cash payment voucher. So we will maintain document as much as possible.

COMMISSIONER MURPHY: Very good.

45 Mr Sargeant has to look at the financial position of the GWC but also the financial position of the Department as both chair of the GWC and Director-General of the Department.

MR NG: Yes.

COMMISSIONER MURPHY: Correct.

5

You mentioned that if an invoice went above the budgeted amount you would always get sign off from top management to make sure that you had appropriate authorisation. So the Director-General is the accountable authority for the Department. Did you understand the chair to be the accountable authority for the
10 Gaming and Wagering Commission or the whole of the Commission?

MR NG: I didn't, how do you say, turn my head into that at the time because it means I may have to challenge the Director-General so I never have such ---

15 COMMISSIONER MURPHY: Turned your mind to it.

MR NG: Yes. I just take instruction to complete the work.

COMMISSIONER MURPHY: The final item from me: you talked about the review
20 that you did towards the end of the year. At May and June you look at the financial position of GWC and the Department and the DG would request that you make adjustments at some times. You referred to parking some amounts, like superannuation. I didn't quite catch that. Would you mind running through that again for me so I can see what that process was?

25

MR NG: Well, to be honest, I also have (inaudible) so as long as it is not any misappropriation, then it is fine. I can't see anything wrong for doing that one, to park the money in GWC. Let's say the recoupment rate is 4 million because prior to 2007 we can see some (inaudible) like salary, accommodation, electricity, and
30 corporate services, salary and corporate services and non-salary, that ---

COMMISSIONER MURPHY: Yes, that breaker.

MR NG: That is the result of the package prior to 2007. Around 2007 we changed
35 to flat recoupment rate. That is different, okay. So on that one because I obviously inherited, that is already put in place. I think Mr Sargeant give instruction to finance even before I came on board, don't pay the full amount to the Department, keep some money, we pay that in next financial year. Every year we will have a delay for that item because the super overhead was one of the significant item so that is the reason
40 why he want to park the monies in GWC. But it is okay, it is accrual accounting. So it is liability, asset, it's just a cash movement, liquidity.

COMMISSIONER MURPHY: So the expense would be recorded but the cash wouldn't?

45

MR NG: Correct.

12:40PM

COMMISSIONER MURPHY: Thank you, Mr Ng. That's all from me.

COMMISSIONER JENKINS: So what was the advantage of doing that?

5

MR NG: I can't tell. And also I never ask because otherwise you challenging your boss.

COMMISSIONER JENKINS: (Nods head).

10

MR NG: I think as long as nothing wrong, it's not illegal, it's okay. Not misappropriate the money, just accounting entry. The money at the end will pass from GWC to the Department, it's just a matter of time.

15 COMMISSIONER JENKINS: Thank you, Mr Ng. Yes, Ms Seaward.

MS SEAWARD: No questions, thank you.

COMMISSIONER JENKINS: Nothing arising?

20

MR SHARPE: No, thank you.

COMMISSIONER JENKINS: Mr Ng, that completes your evidence today. We will leave the summons in place because there is the possibility that Commissioner Owen who is not here may have some questions for you but it is highly unlikely that you will be required to return. We will let you know when you are finally released from your summons.

25

MR NG: Thank you.

30

THE WITNESS WITHDREW

35 COMMISSIONER JENKINS: So you are free to leave and we will adjourn until 2 pm. Thank you.

ADJOURNED

[12:41P.M.]

40

RESUMED

[2:00P.M.]

45 COMMISSIONER JENKINS: Good afternoon. Please take a seat.

Ms Sherdiwala, you must take an oath or affirmation. Which would you prefer to take?

02:00PM

WITNESS: Affirmation.

COMMISSIONER JENKINS: Please stand.

5

SHANAEYA SHERDIWALA, AFFIRMED

10 COMMISSIONER JENKINS: Thank you, Ms Sherdiwala. Please make yourself comfortable. Yes, Ms Seaward?

MS SEAWARD: May it please the Commission.

15

EXAMINATION-IN-CHIEF BY MS SEAWARD

20 MS SEAWARD: Ms Sherdiwala, you are currently the Executive Director of Finance and Procurement for the Department of Local Government, Sport and Cultural Industries?

MS SHERDIWALA: Yes.

25 MS SEAWARD: You received a summons to appear at this Royal Commission?

MS SHERDIWALA: Yes.

30 MS SEAWARD: Accompanying that summons was a request for a statement, with a list of questions?

MS SHERDIWALA: (Nods head).

MS SEAWARD: You prepared that statement?

35

MS SHERDIWALA: Yes.

MS SEAWARD: There should be a copy of the statement in front of you. If you turn to the back page, it should have your signature and the date of 31 August 2021.

40

MS SHERDIWALA: Yes.

MS SEAWARD: If you turn back a page, the last paragraph number should be 112.

45

MS SHERDIWALA: Yes.

MS SEAWARD: Is it correct you have identified a typographical error in paragraph

02:01PM

87?

MS SHERDIWALA: Yes.

5

MS SEAWARD: Is that error your title name?

MS SHERDIWALA: That's correct.

10 MS SEAWARD: If we move to the middle of the paragraph, it says "in my role as Executive Director". Can you just tell us what is the correct title?

MS SHERDIWALA: It should be "Executive Director of Finance and Procurement".

15

MS SEAWARD: So we can cross out "and Payroll". Were there any other errors you noticed in your statement?

MS SHERDIWALA: Not that I've noticed.

20

MS SEAWARD: That statement which has the identifier DLG.0001.0012.0007, is that true and correct to the best of your information, knowledge and belief?

MS SHERDIWALA: I believe so.

25

MS SEAWARD: I tender the statement.

COMMISSIONER JENKINS: Thank you, Ms Seaward. The statement, with that amendment, will be an exhibit with the number as articulated by Ms Seaward.

30

EXHIBIT #DLG.0001.0012.0007 - WITNESS STATEMENT OF SHANAIEYA SHERDIWALA DATED 31 AUGUST 2021, WITH AMENDMENT

35

COMMISSIONER JENKINS: Yes, Mr Sharpe?

CROSS-EXAMINATION BY MR SHARPE MR SHARPE: Ms Sherdiwala, you have been the Chief Finance Officer of the Department of Racing, Gaming and Liquor since 2017?

40

MS SHERDIWALA: Of the Department of Local Government, Sport and Cultural Industries.

45

MR SHARPE: Sorry, that's my mistake. You have also been the Chief Finance Officer of the Gaming and Wagering Commission since 2017?

MS SHERDIWALA: Since late 2017, yes.

MR SHARPE: At paragraph 12 of your witness statement, you say:

5

Within this position, I am appointed as CFO of all Statutory Authorities within the DLGSC portfolio

When you say "I am appointed", who is appointing you?

10

MS SHERDIWALA: The Director-General of the accountable authority.

MR SHARPE: The Director-General of the accountable authority of the Department appoints you as CFO of the Department; is that right?

15

MS SHERDIWALA: Yes.

MR SHARPE: Who is appointing you as the CFO of the Gaming and Wagering Commission?

20

MS SHERDIWALA: I would imagine the chair, as the accountable authority, which is also the Director-General.

MR SHARPE: When you say you imagine, how did you come to believe you held the position of Chief Finance Officer of the Gaming and Wagering Commission?

25

MS SHERDIWALA: Following the amalgamation of the various departments that came together and a number of their statutory authorities. I guess the way the position and the role evolved, a lot of things, I guess, were a process of discovery to understand which entities reported through to whom.

30

MR SHARPE: Is it correct to say your appointment as CFO of the Gaming and Wagering Commission was an inherent part of your appointment to your present position at the Department?

35

MS SHERDIWALA: Yes.

COMMISSIONER JENKINS: Ms Sherdiwala, you are very quiet. Would you be able to perhaps move forward to the desk. I don't know if that will help or not. And just speak up?

40

MS SHERDIWALA: Yes. Sorry.

COMMISSIONER JENKINS: Have regard to the fact that everybody needs to hear, including anyone down the back.

45

MS SHERDIWALA: Sure.

MR SHARPE: At paragraph 13 of your witness statement, you identify your title as Executive Director of Finance and Procurement.

5 MS SHERDIWALA: Yes.

MR SHARPE: That is your current title?

MS SHERDIWALA: Yes.

10

MR SHARPE: Does that mean you are now part of the corporate executive for your department?

15

MS SHERDIWALA: My position has always been a member of the corporate executive of the Department.

MR SHARPE: Who do you report to?

20

MS SHERDIWALA: The Director-General. Until recently.

MR SHARPE: Until recently?

25

MS SHERDIWALA: There has been structural changes to the Department more recently, with the appointment of the new Director-General, so there has been a restructure of the DLGSC.

MR SHARPE: Who do you report to under that restructure?

30

MS SHERDIWALA: I now report to the Deputy Director-General who leads the various corporate services functions.

35

MR SHARPE: At paragraph 20 of your witness statement, you state that there is no prescribed allocation of time with respect to each of the finance roles you hold within the Department's portfolio. But, as a matter of practice, are you able to give a division of your time between those different roles?

40

MS SHERDIWALA: It would be different at different times, depending on the requirement. So in a standard month, specifically in relation to the Gaming and Wagering Commission, I would typically not spend very much time, except for perhaps reviewing the monthly financial reports we would be tabling. At different times, say when it comes to perhaps finalising the annual report or getting involved with audit-related discussions or, indeed, the Royal Commission, I obviously spent a great deal more time.

45

MR SHARPE: I call up PUB.0016.0023.0003 at page 48. This is section 57 of the Financial Management Act. That Act identifies in subsection 2 that the Chief Finance Officer has certain responsibilities to the accountable authority.

MS SHERDIWALA: (Nods head).

5 MR SHARPE: While you have been Chief Finance Officer of the Department, the accountable authority of the Department is the Director-General; is that correct?

MS SHERDIWALA: That's correct.

10 MR SHARPE: That has been Mr (Inaudible) and is now Ms Chopping; is that correct?

MS SHERDIWALA: That's correct.

15 MR SHARPE: In your capacity as the Chief Finance Officer of the Gaming and Wagering Commission, who do you understand to be the accountable authority?

MS SHERDIWALA: The chair of the Commission.

20 MR SHARPE: Do you accept you have those responsibilities set out at subsection 57(2)?

MS SHERDIWALA: Yes.

25 MR SHARPE: Specifically, looking at paragraph (a) of subsection 2, you have a responsibility to the accountable authority for the preparation of financial information to facilitate the discharge of statutory reporting obligations of the agency? Do you accept that?

30 MS SHERDIWALA: Yes.

MR SHARPE: Do you accept that financial information should be accurate, as an aspect of that obligation or requirement?

35 MS SHERDIWALA: (Nods head).

MR SHARPE: Paragraph (c) refers to a responsibility to provide advice "concerning the financial implications of, and financial risks to, the agency's current and projected services". Do you accept that you owe that responsibility to the accountable authority for the Department and the Gaming and Wagering Commission?

40 MS SHERDIWALA: Yes.

45 MR SHARPE: Turning to the internal audit function in respect of the Gaming and Wagering Commission, you deal with that at paragraph 31 of your witness statement. You state that, to the best of your knowledge, the GWC did not have a separate Internal Audit Committee at all relevant times. However, they are currently being incorporated within the DLGSC's Audit and Risk Committee's terms of reference.

02:10PM

MS SHERDIWALA: Mm-hmm.

MR SHARPE: Is it your understanding that since December 2017, the GWC did not
5 have its own Internal Audit Committee?

MS SHERDIWALA: Yes, that's correct.

MR SHARPE: You have referred to the terms of reference of the DLGSC in
10 paragraph 32 and observed that there would be some aspects of the GWC's
operations that are subject to the review but not comprehensively?

MS SHERDIWALA: I'm not sure that I state comprehensively. The Department's
15 terms of reference currently do not specifically state that the GWC is within its remit.
My opinion, however, is that in the Department providing all of the services to the
GWC and to the extent the Department services are audited, either internally or
externally, it is covered by an internal audit function.

MR SHARPE: You state in paragraph 31 that the GWC is currently being
20 incorporated within the Department's Audit and Risk Committee's terms of reference.

MS SHERDIWALA: Yes.

MR SHARPE: When you say that they are currently being incorporated, what is the
25 current status of that incorporation?

MS SHERDIWALA: It has been an ongoing discussion for all of the last financial
year. It is obviously a new requirement under Treasurer's Instructions 1201 around
30 having an independent or Internal Audit Committee. The method through which that
should be delivered to all of the statutory authorities that the Department services and
covers has been a process of negotiation with the various boards, CEOs, et cetera.
The method through which to deliver that in the best and most efficient way has been
a process that I think we are --- as at the last Internal Audit Committee meeting, I
35 believe we have come to a landing as to how that will be effected. So, consequently,
the terms of reference are, as I understand it, currently being amended.

MR SHARPE: When do you anticipate the GWC will be incorporated within the
terms of reference?

40 MS SHERDIWALA: I understand it is a current action item for the governance area
and I believe, potentially, will be tabled at the next meeting. I can't be certain of that
though.

MR SHARPE: When would the next meeting be?
45

MS SHERDIWALA: I believe there is one scheduled either for late September or
early October.

MR SHARPE: Have you been in discussions with the GWC itself about incorporating the GWC into the terms of reference for the Audit and Risk Committee?

5

MS SHERDIWALA: Have I been in discussion? No. I am not responsible for governance and audit.

MR SHARPE: Have there been discussions between the Department and GWC?

10

MS SHERDIWALA: Yes. As I understand it, yes.

MR SHARPE: Are you aware of whether the GWC is content with the proposed arrangements for their incorporation into the Department's Audit and Risk Committee?

15

MS SHERDIWALA: To the extent that representations have been made to our Internal Audit Committee that they are content, I believe so, yes.

MR SHARPE: Turn to your witness statement at paragraphs 48 and 49. This concerns your personal attendance at GWC meetings. At paragraph 48 you say you have only attended GWC meetings on two occasions. The first occasion was in approximately the second half of 2018, to introduce yourself, and the second occasion was very recently, which was 27 August 2021?

20

MS SHERDIWALA: (Nods head).

MR SHARPE: You state at paragraph 49 that you :

30 *..... presented two papers to the GWC Board at the request of the board which was the monthly financial papers for July 2021 and the explanation of the GWC service fee.*

Can we call up GWC.0003.0014.0020. Can you show the second page at the same time, please? Is that the paper you are referring to at paragraph 49 of your witness statement?

35

MS SHERDIWALA: One of, yes.

MR SHARPE: That is the explanation of the GWC service fee paper?

40

MS SHERDIWALA: Yes.

MR SHARPE: Apart from those two occasions when you have attended the GWC meetings, have you solely provided your advice to the GWC in writing, through briefing papers and attached financial statements?

45

MS SHERDIWALA: In the main, yes.

MR SHARPE: Have you provided it in any other way?

5 MS SHERDIWALA: My introduction is obviously not a paper but, yes, other than that ---

MR SHARPE: Other than those two times you have been, your communications with them have been through written briefing papers?

10 MS SHERDIWALA: Personally, yes. Members of my team, however, have attended on other occasions.

MR SHARPE: I call up PUB.0004.0005.0107 at page 129, please. Section 9 of the Gaming and Wagering Commission Act deals with funds of the Commission.
15 Subsection 2, paragraph (a) states:

An account called the Gaming and Wagering Commission account is to be established as an agency special purpose account under section 16 of the Financial Management Act

20 Do you see that? Are you aware of whether an account has been established in accordance with that requirement?

MS SHERDIWALA: Yes.

25 MR SHARPE: Is the account operated by departmental officers?

MS SHERDIWALA: Yes.

30 MR SHARPE: Do they operate that pursuant to a delegation?

MS SHERDIWALA: Yes.

MR SHARPE: Who conferred that delegation?

35 MS SHERDIWALA: I prepare it and it is approved by the accountable authority.

MR SHARPE: You have prepared the delegation and it was approved by the Director-General?

40 MS SHERDIWALA: Yes. Yes.

MR SHARPE: Who are the departmental officers who operate the account?

45 MS SHERDIWALA: I have a team of staff that would operate various aspects of the account, if you like. I have a team that's responsible for, for example, paying invoices, recording revenues, (inaudible) responsible for ensuring that the expenses

and/or revenues are appropriately documented and allocated. So numerous officers.

5 MR SHARPE: I will now ask you some questions about how the Department calculated the service charge to the GWC in the time since you have been appointed as the Chief Finance Officer. Since you have been the Chief Finance Officer, the GWC has not had its own staff; is that correct?

10 MS SHERDIWALA: Yes.

MR SHARPE: And so ---

15 MS SHERDIWALA: I don't believe the GWC ever had its own staff, as far as I understand.

MR SHARPE: The GWC depends on the Department to produce its budget papers?

MS SHERDIWALA: Yes.

20 MR SHARPE: During the time you have been CFO, the service charge appears in both the Department's budgets as a revenue item that it would receive from the GWC; is that right?

25 MS SHERDIWALA: Yes.

MR SHARPE: It also appears as an expense item in the GWC's budget, as an expense it pays to the Department; is that right?

30 MS SHERDIWALA: Yes.

MR SHARPE: Is it the case that when the Department calculates the service charge for budgetary purposes, it is calculating a figure that would be used in both the Department's budget and the GWC's budget in the ways I have just described?

35 MS SHERDIWALA: Essentially, yes.

MR SHARPE: I call up again GWC.0003.0014.0019 at page 20, the second page of that document. Perhaps we could start with the first page, which identifies the purpose of this paper is to note how the --- for the GWC to note how the professional services fee is calculated. At the foot of the first page it is further noted that 28.75 --- sorry, perhaps I should go back to the start of the current situation. The current situation identifies that just prior to the machinery of government changes in 2017, the former Department of Racing, Gaming and Liquor undertook some work to identify an appropriate cost allocation mechanism between gaming and liquor expenses, and identified, effectively, a 70/30 split. It was further noted that, at the top of the next page, 28.75 per cent of RGL costs are attributable to provide support for the GWC.

40

45

This is an explanation to the Gaming and Wagering Commission about how the departmental service fee to the GWC was calculated in 2018/2019?

5 MS SHERDIWALA: Yes.

MR SHARPE: This explanation is being provided in August 2021?

MS SHERDIWALA: Yes.

10

MR SHARPE: To your knowledge, is this the first time the GWC has been informed about the use of the 28.75 per cent figure as the basis for calculating that charge in 2018/'19?

15 MS SHERDIWALA: I believe so, yes.

MR SHARPE: Can we call up GWC.0002.0016.0228 at page 212. This is the budget paper which you prepared, dated 16 March 2018? Do you see that?

20 MS SHERDIWALA: Yes.

MR SHARPE: On the next page, there is a statement. Can we show the next page as well, sorry. Just to confirm, you prepared that paper? Do you agree?

25 MS SHERDIWALA: My staff prepared the paper but I approved and signed it, yes.

MR SHARPE: On the first page there is title "Recoup to DLGSC "and the explanation is:

30 *The recoup rate is increased from \$4.027 million to \$4.140 million by \$113,220 to be able to support the Commission.*

MS SHERDIWALA: Yes.

35 MR SHARPE: The statement here does not explain that the 28.75 per cent figure has been used as the basis for calculating that; is that correct?

MS SHERDIWALA: That's correct.

40 MR SHARPE: Is there any reason that explanation was not included in this budget paper?

45 MS SHERDIWALA: I guess my staff at the time were very much learning the requirements of the new department and its portfolio, given the sudden changes introduced on 1 June 2017. At the time, the officer involved in preparing this paper was not a former Department of Racing, Gaming and Liquor officer. So they essentially utilised a very similar template from previous years and provided very similar information to previous years. So to the extent that that was the level of

explanation provided previously, we maintained that level of information.

5 MR SHARPE: Turn to your witness statement at paragraph 75. You have identified your understanding that there was a 30 per cent allocation of RGL's budget to racing and gaming functions? Perhaps I haven't put that precisely enough, but you have identified the 30/70 split and that you have an understanding there is a 30/70 split of the Department of Racing, Gaming and Liquor's spending on liquor and non-liquor activities?

10 MS SHERDIWALA: Yes.

MR SHARPE: What led you to form the understanding that there was a 30/70 split that was used?

15 MS SHERDIWALA: We located documentation, including an email exchange between the former CFO and the Department of Treasury, that justified that split.

MR SHARPE: Can we call up GWC.0007.0009.0015. Is this the email you are referring to? Perhaps you can show the next page as well, operator.

20 MS SHERDIWALA: Yes.

MR SHARPE: Can we go to the email from Mr Ng to Mr Milan Kucera, dated 9 March 2017. Have you had the opportunity to review these emails overnight?

25 MS SHERDIWALA: Yes.

MR SHARPE: Operator, can you drop that down. Let's focus on page 003. Looking at the email dated 9 March from Mr Kucera to Mr Ng, do you accept that email is an email seeking a basis for splitting the costs between liquor and non-liquor activities for reporting purposes?

30 MS SHERDIWALA: Yes.

MR SHARPE: Do you accept that email was not intended as giving a basis for the split of the service charge? Sorry, I didn't put that well. Do you accept that the intention of Mr Ng, in responding to that email, was not to give a formula for setting the recoupment fee or the service charge, but was for the purpose of allowing reporting under the COFOG classification system?

35 MS SEAWARD: I'm not sure the witness can say what someone else's intention was. Perhaps it could be phrased slightly differently.

40 COMMISSIONER JENKINS: Yes. Rephrase that, please, Mr Sharpe.

MR SHARPE: Yes, sorry.

Do you understand Mr Kucera's request to be a request about classification of spending?

5 MS SHERDIWALA: Yes.

MR SHARPE: Mr Kucera's request is not a request about how the Department will calculate its service charge in the future? Do you agree with that?

10 MS SHERDIWALA: I agree with that, but there is an inherent link between what the Department spends its money on or the Gaming and Wagering Commission --- for its Gaming and Wagering Commission functions and/or racing functions that relate to those expenses. So they are inherently linked.

15 MR SHARPE: Apart from this email chain, were there other materials or documents you relied upon in setting the 30/70 split for future calculation --- sorry, for calculation in 2018/2019?

MS SHERDIWALA: For the calculation in 2018/19, we used a subset of the 30 per cent, as I explained in the other board paper, the 28.75 per cent. We used that to the extent that we can see that in prior years that is the level of percentage that is charged. Again, for maintaining consistency to what we understand to be the practice, we maintained that level of charging.

25 MR SHARPE: I call up GWC.0007.0009.0016. Is this one of the other documents you took into account in setting the 30/70 split?

MS SHERDIWALA: I can't recall specifically that I looked at this document at the time, but it would have justified some of the percentage split, yes.

30 MR SHARPE: Looking at this document, would you consider a more appropriate split would have been a 28/72 split?

MS SHERDIWALA: We currently charge 28.75 per cent to the GWC.

35 MR SHARPE: Yes. Although this document looks at the full cost recovery of the GWC and the Racing Penalties Appeal Tribunal and calculates that as being 28.09 per cent.

40 MS SHERDIWALA: Actually, in setting the 28.75 in 2018/'19, we considered the prior three years, which included 2015/'16, 2016/'17 and 2017/'18, so more recent data, and took the average of those three years and it was calculated to be 28.75.

45 MR SHARPE: How did you determine the split of 28.75 and 1.25 per cent between the Gaming and Wagering Commission and the Racing Penalties Appeal Tribunal.

MS SHERDIWALA: Based on the average of the three years prior.

MR SHARPE: Turn to the witness statement at paragraph 79, please, operator.
Perhaps I should start at 78. At paragraph 78, Ms Sherdiwala, you identify that the
2018/'19 financial year calculation was based on 28.75 per cent of the budgeted total
5 cost of the RGL division; is that correct?

MS SHERDIWALA: Yes.

MR SHARPE: In paragraph 79 you identify that for 2019/2020 it was decided to not
10 increase it at all because the CPI was so low; is that right?

MS SHERDIWALA: Yes.

MR SHARPE: Sorry, I didn't perhaps frame that properly. You had considered a
15 CPI increase and then decided not to make any increase because CPI was so low?

MS SHERDIWALA: Yes.

MR SHARPE: In 2021, and this is at paragraph 8 of your witness statement, you
20 have noted there has been a material increase, you say by 11 per cent, in the GWC's
output in terms of audit inspection and investigation, and that leads to an increase in
the budget recommended of 5 per cent above CPI; is that right?

MS SHERDIWALA: 5 per cent.
25

MR SHARPE: When you say "5 per cent fee increase being above CPI" ---

MS SHERDIWALA: Being above CPI.

30 MR SHARPE: --- it's a 5 per cent increase, which is greater than CPI?

MS SHERDIWALA: Yes.

MR SHARPE: In the following year, 2021/'22, the budget is for a further 5 per cent
35 increase.

At paragraph 88 of your witness statement you say:

40 In recommending increases to the service fee as articulated above [referring to *the
paragraphs I have taken you to*] *the rationale for this recommendation was provided
by me to the Director-General who is also the Chair of the GWC Board.*

MS SHERDIWALA: Yes.

45 MR SHARPE: Your evidence is that you submitted these as the basis for the
changes to the Director-General?

MS SHERDIWALA: In the first instance, yes.

5 MR SHARPE: As regards the increases that have been made in 2019/'20 and ---
sorry, in the last two financial years, is it fair to say the consequence of those
changes, those two 5 per cent increases, is that the 28.75 per cent figure, as a basis
for calculating the service charge, has been abandoned?

10 MS SHERDIWALA: It's not so much abandoned as, I guess, how we utilise it is to
rebase the fee when the DLGSC came into existence separate to the former
Department of Racing, Gaming and Liquor. Since then, we have tried to take a
measured approach to any fee increases.

15 MR SHARPE: At paragraph 8 you have identified that the Department has assessed
GWC's output in terms of audits, inspections and investigations as representing 40
per cent of the division of Racing, Gaming and Liquor's output. So it's fair to say
that if that 40 per cent figure does fairly reflect the proportion of output, then the
charge that's being made to the GWC is a substantial undercharge for the actual cost
of the service?

20

MS SHERDIWALA: Yes.

25 COMMISSIONER JENKINS: Sorry, say that again. Can I have that question
again?

MR SHARPE: So if it is correct that 40 per cent of the division of RGL's --- Racing,
Gaming and Liquor Division's costs are going to GWC services, if that's the correct
figure, 40 per cent, then the current charge, which has been adjusted a couple of
times from 28.75 per cent, is a substantial undercharge.

30

COMMISSIONER JENKINS: Yes, if it is 40 per cent?

MR SHARPE: If it is 40 per cent.

35 COMMISSIONER JENKINS: And who knows because 30 per cent was a guess.

40 MS SHERDIWALA: Sorry, the 40 per cent relates to the KPI output produced by
the division for the Gaming and Wagering Commission's functions. So insofar as
that captures the activity performed on behalf of the GWC, 40 per cent was the
output.

COMMISSIONER JENKINS: That's only part of the service fee, isn't it?

45 MS SHERDIWALA: It's entirely separate to the service fee. So that captures the
output, the services that are delivered on behalf of the Gaming and Wagering
Commission.

COMMISSIONER MURPHY: But there wouldn't necessarily be a direct
relationship between the cost and the outputs in the KPIs, would there? Inspections

and audits vary enormously in terms of time and ---

5 MS SHERDIWALA: But insofar as, I guess, we are recovering a fee for delivering a certain output for an entity, I would imagine they should be directly linked for the functions delivered.

10 MR SHARPE: When you say at 77 that the service charge relates to the budgeted total cost of the services of the RGL division within the DLGSC, it's not currently, in your assessment, a direct proportion relationship, is it?

15 MS SHERDIWALA: The distinction being made is between the budgeted cost versus the actual cost. Insofar as we have to set the fee for the following year in advance, we have to rely on budgeted figures for the division, yes. So to the extent that the actual differs from that, at the end of the financial year, there would be a discrepancy.

20 MR SHARPE: Sorry, I will reframe the question. You are not currently setting the fee based on your current understanding of the proportion of DLG services that are being provided to the GWC, are you? Currently, your view is that 40 per cent of the division's services are being provided to the GWC, but you are not charging them 40 per cent of the division's costs?

25 MS SHERDIWALA: 40 per cent of the division's output, yes. And, no, we are not charging them 40 per cent of the division's costs. But that's not the distinction I'm making in the paragraph. The distinction I'm making in the paragraph is the difference between budgeted costs versus actual costs at the end of the financial year.

30 MR SHARPE: But it's the case, isn't it, that you are charging --- at the end of the financial year, you are not making any variation between the budget and the actual --
-

MS SHERDIWALA: That's correct, yes.

35 MR SHARPE: The service charge which you set in 2018/2019 has effectively been subject to ad hoc adjustments since that time; is that correct?

MS SHERDIWALA: Sorry, which year?

40 MR SHARPE: At paragraph 78 you identify that in 2018/2019 you used the 28.75 per cent figure to calculate the service charge?

MS SHERDIWALA: Yes.

45 MR SHARPE: Then since that time, you have made ad hoc adjustments to that figure to calculate the service charge for following years?

MS SHERDIWALA: I've made recommendations for increases based on the increase in output delivered for the Gaming and Wagering Commission.

MR SHARPE: Can you call up PCRC.0004.0008.0002. Are you familiar with this document, Ms Sherdiwala?

5 MS SHERDIWALA: Yes.

MR SHARPE: Would you look at the eighth column, which is the budget service charge as a percentage of the budget of DRGL expenditure. You see for 2018 it is 27.46 per cent; you see that?

10

MS SHERDIWALA: Yes.

MR SHARPE: For 2019 it is 30.1 per cent; you see that?

15 MS SHERDIWALA: Yes.

MR SHARPE: For 2020 it is 28.86 per cent?

MS SHERDIWALA: Yes.

20

MR SHARPE: Essentially, the 28.75 per cent figure was used in one financial year but it's not being used consistently now, is it?

MS SHERDIWALA: As I explained previously, we utilised it, I guess, to rebase the fee when the Department was created, the DLGSC. Since then we've acquired a method of escalation in relation to either CPI or output related increases, yes.

25

MR SHARPE: To make the adjustments annually on a basis that directly related to the amount of services provided, you would need a more detailed assessment of the resources that were going into the Gaming and Wagering Commission outputs than you presently have, wouldn't you?

30

MS SHERDIWALA: Sorry, could you repeat that?

MR SHARPE: Sorry, that wasn't well framed. Currently, you are relying upon the total audit inspection output numbers to look at whether or not you should be increasing the GWC service charge; is that correct?

35

MS SHERDIWALA: Yes.

40

MR SHARPE: That is not necessarily a reliable indicator of the resources being used to provide the GWC with services because you don't know the time taken for each of those audit, inspection and investigation processes, do you?

45 MS SHERDIWALA: Yes.

MR SHARPE: To be able to make a more accurate assessment of the resources

being used by the Department --- sorry, being provided by the Department to the GWC, you would need a more accurate way of assessing the resources being used than you presently have; is that correct?

5

MS SHERDIWALA: Potentially, yes.

COMMISSIONER JENKINS: Why "potentially"?

10 MS SHERDIWALA: I guess the current fee has been calculated in the absence of such information but certainly to the extent (inaudible).

MR SHARPE: Turning to paragraph 82 of your witness statement, you say:

15 *To the best of my knowledge, I am not aware of the GWC ever requesting reconsideration of the amount of the fee applied or that the GWC considered the amount of the fee applied to have been inappropriate.*

MS SHERDIWALA: Yes.

20

MR SHARPE: But it has only been since August of this year that GWC has had the explanation about how the fee has been calculated in the last three financial years; is that correct?

25 MS SHERDIWALA: From me, personally, yes. I was not aware whether they required further information or needed it.

COMMISSIONER JENKINS: You are their CFO, aren't you? Why didn't you find out?

30

MS SHERDIWALA: I'm not, as a matter of course, invited to the GWC meetings, to the board meetings. My understanding was --- with the current Director-General and the former Director-General on the board, I understood potentially that the information was being relayed around how the fee was being calculated.

35

COMMISSIONER JENKINS: Did you ever see any document which indicated it was?

MS SHERDIWALA: No.

40

COMMISSIONER JENKINS: Did you ever make inquiries to see if it was?

MS SHERDIWALA: No.

45 COMMISSIONER JENKINS: Is that because you are primarily concerned with being the Department's CFO?

MS SHERDIWALA: No.

COMMISSIONER JENKINS: Thank you, Mr Sharpe.

5 MR SHARPE: Could we return to GWC.0003.0014.0019 and show both pages, please. When you refer in your witness statement to the increase by 11 per cent and the 40 per cent output number, does that reflect the table on the second page, that data? Is that what you are referring to?

10 MS SHERDIWALA: Part of it, yes.

MR SHARPE: You accept that this is just a raw adding up of audit, inspection and investigation conducted by the Department?

15 MS SHERDIWALA: Yes.

MR SHARPE: It does not factor in the time taken for audit, inspection and investigations conducted by the Department?

20 MS SHERDIWALA: Correct.

MR SHARPE: When we look at those figures, they suggest that in 2018/2019 the target for the Gaming Commission was at 28.72 per cent, but the actuals were at 39.53 per cent. Do you see that?

25 MS SHERDIWALA: Yes.

MR SHARPE: But if it happened that the average time to perform audits, inspections and investigations for the GWC was half of the average time to perform audits, inspections and investigations for liquor, then in fact the resources that would actually be used would be half of that, so they would be 20 per cent, rather than 40 per cent, wouldn't they?

30 MS SHERDIWALA: Yes. If there is a material difference in the time taken to produce the output, absolutely.

35

MR SHARPE: Go to the top of page 20 of your witness statement. You state there that the Department is "in fact providing a greater service output than GWC is being charged". That statement is based on the assumption that you can look at the raw numbers of audits, inspections and investigations to determine the relative output; is that correct?

40

MS SHERDIWALA: Yes.

45 MR SHARPE: So if, as I suggested as a possibility, the average time for those things for the Gaming and Wagering Commission were half of the equivalent things for liquor, then it's not necessarily the case that the Department is providing a greater service output than it is charging for?

MS SHERDIWALA: Potentially, no.

MR SHARPE: Going back to the question of variations, you have given evidence
5 that during the time you have been Chief Finance Officer, there has not been
variations of the service charge. Sorry, I thought I had covered that with you, but if I
haven't covered that, I will put the question to you again. During your time as the
Chief Finance Officer, there has not been a variation to the budgeted service charge,
10 so the actual service charge charged to the GWC has not been varied from the
budgeted charge; is that correct?

MS SHERDIWALA: That's correct.

MR SHARPE: Given that there may be a basis for thinking there has been an
15 increase in services provided to the GWC, why have you not varied the charge in
accordance with that?

MS SHERDIWALA: During the financial year?

20 MR SHARPE: Mm-hmm.

MS SHERDIWALA: Sorry, I'm not sure I understand the question.

MR SHARPE: You formed the view, based on the KPI numbers, that the services
25 provided to the GWC have been greater than what was budgeted for. Why has the
view been taken that there shouldn't be an increase in the actual service charge paid
by the GWC because it has been given greater services, a greater number of services?

MS SHERDIWALA: The calculation of the output figure is done following the end
30 of the financial year and reporting for KPIs. So, to the extent that that information is
available, it informed the increase for the following year.

MR SHARPE: Turning to another topic, the question of payment, is it correct that
35 there is a monthly payment made from the Gaming and Wagering Commission to the
Department?

MS SHERDIWALA: Yes.

MR SHARPE: Is there an invoice generated for that monthly payment?

40

MS SHERDIWALA: Yes.

MR SHARPE: Who generates the invoice?

45 MS SHERDIWALA: One of my staff members who is responsible for performing
GWC financial functions.

MR SHARPE: Who receives the invoice? Where is it sent?

5 MS SHERDIWALA: There's an annual purchase order developed, based on the budgeted charge, and the invoice is then receipted against it during the year.

MR SHARPE: Sorry, I'm asking does the invoice go to the GWC?

10 MS SHERDIWALA: No.

MR SHARPE: Who within the Department authorises the payment of that invoice?

15 MS SHERDIWALA: I would authorise the annual purchase order, which is the approval that's needed for monthly invoices.

MR SHARPE: Is there any specific approval of the monthly payment?

MS SHERDIWALA: Not once the purchase order is approved.

20 MR SHARPE: Turning to paragraph 85 of your witness statement, this is a question about assessing value for money for the service charge. You have stated that in your role as Executive Director of Finance and Procurement with the Department and the CFO of the GWC, you are not in a position to take into account qualitative factors such as whether the Department's service fee charge represents value for money for
25 the services received by the GWC?

MS SHERDIWALA: Yes.

30 MR SHARPE: Do you say you are not able to make an assessment of value for money because you are, essentially, on both sides of the bargain?

35 MS SHERDIWALA: No. I'm actually removed from the business area that performs those functions. So to the extent that the Commission believes that those functions are value for money, I'm not involved with the business area delivering those functions or the assessment for what the quality or level of output that the GWC expects and whether that represents value for money.

40 COMMISSIONER JENKINS: Isn't the GWC's capacity to determine those issues, in part at least, dependent upon the financial information it receives. If it is just told by its --- if it's getting the invoices this much for the year, there is a limit on the capacity for the GWC as well to determine what value for money it is getting.

45 MS SHERDIWALA: I suppose. I would imagine that the level of information they get from the relevant business area on the actual output that's being delivered for them, I would imagine they would then be able to compare the cost versus the actual delivery of service. To the extent that I'm not actually involved in the business area that delivers that output, I can't make that judgment.

COMMISSIONER JENKINS: But as CFO, wouldn't you be responsible for when you received an invoice for services on behalf of the GWC to say there is not sufficient information in here to enable what services are being provided for this amount of money?

MS SHERDIWALA: The basis on which I approve the invoice is that the budgeted fee has been approved by the GWC and the minister. On that basis, I execute the approval of the invoice payment. The ongoing nature of service delivery from the Department to the GWC, it is not a --- I would imagine it's not possible to make that judgment on a monthly basis.

COMMISSIONER JENKINS: Thank you, Mr Sharpe.

MR SHARPE: Turning to the question of the MOU for financial counselling services, that is dealt with at the beginning of paragraph 93 of your witness statement. I draw attention, particularly, to paragraph 95 of your witness statement, where you say:

Having considered the entry on page 77 of the Department's Annual Report for 2018-2019 I can confirm that the sum of \$500,000 identified for 'grants to individuals problem gambling' in FY2019 and FY2020 is actually the sum of \$500,000 that is paid to the Department of Communities. I am not in a position to comment on whether the 'grants to individuals problem gambling' is an accurate description of that arrangement and to the best of my knowledge, the Department has retained the description applied by the former DRGL.

We looked earlier at your responsibilities under section 57 of the Financial Management Act and you agreed your responsibilities include the accuracy of financial information. That's right, isn't it?

MS SHERDIWALA: Yes.

MR SHARPE: It is your responsibility to ensure the Department's annual report descriptions are accurate?

MS SHERDIWALA: Yes.

MR SHARPE: The description that is given here, "Grants to Individuals Problem Gambling", the first part of that description is "Grants". That does not seem to be an appropriate description for funds which are being paid to the Department of Communities, does it?

MS SHERDIWALA: I believe it is a grant, based upon the structure of the MOU.

MR SHARPE: The second part of the description refers to "problem gambling" and the MOU is concerned with financial counselling services. I put it to you that is not an accurate description of the use of the money, or how the money is being applied.

Do you agree?

5 MS SHERDIWALA: I understood that to be financial counselling in relation to problem gambling, so I still believe it to be.

MR SHARPE: Have you undertaken any examination of the MOU to see if it refers to problem gambling at all?

10 MS SHERDIWALA: The MOU doesn't specifically state, I believe, that it relates to problem gambling, only in relation to financial counselling, but I understood that to be in relation to problem gambling.

15 MR SHARPE: Do you consider you have sufficient doubt about the accuracy of that description, that you should further investigate whether that is a correct and accurate description for future annual reports?

20 MS SHERDIWALA: In relation to whether "problem gambling" remains in the title?

MR SHARPE: In regards to whether "Grants to Individuals Problem Gambling" is an appropriate description for the transfer of the funds, pursuant to the MOU, for use in financial counselling by the Department of Communities?

25 MS SHERDIWALA: I think it certainly warrants a second look at the titling of it but I am satisfied, having reviewed the MOU, that it is still a grant, yes.

30 MR SHARPE: Turning to the question of the financial relationship between the GWC and the Department, which is addressed in your witness statement, beginning at paragraph 104. You refer here to it being a function of the role of the Department to provide executive support to the GWC.

35 At paragraph 105, the budget and financial reporting processes between the Department and the GWC, you say, facilitate a process of discussion and inquiry in relation to the financial aspects of the services provided by the Department to the GWC and the services generally.

40 At paragraph 106, you say that, in your view, the budget setting process also allows the GWC to interrogate and/or raise questions to do with the service fee charge. But your evidence earlier, including at paragraph 83 --- at paragraph 83 you state:

Had the GWC ever raised any questions or concerns in relation to the service fee charge, then the matter would be escalated within the finance team for consideration and comment back to the GWC

45 The reality is, this process which you suggests facilitates a process of discussion and inquiry regarding the service fee, as a matter of practice, has not operated in that way, has it, because there has only very recently been a detailed explanation of how the service fee is charged? Do you agree?

MS SHERDIWALA: Again, from --- provided by myself, yes.

5 MR SHARPE: Provided by yourself, in that you are suggesting that prior to you explaining the 28.75 per cent basis that someone else had; is that what you are suggesting?

10 MS SHERDIWALA: I was not aware that the board was not aware. Again I, perhaps inappropriately, relied on the fact that the current Director-General and the former Director-General formed part of the board. I understood in that we didn't actually vary the methodology until, I guess, more recently, where an explanation was provided. I was of the understanding that the board, perhaps, had the prior knowledge of how the fee was calculated and so I relied on that.

15 MR SHARPE: At paragraph 107 of your witness statement you say:

In my view it might be of benefit to have the CFO attend GWC meetings (similar to the CFO attending DLGSC Corporate Executive).

20 Is this a proposal you have put forward and is being considered for implementation?

MS SHERDIWALA: Not formally. I suppose there has been informal discussions or suggestions made to the former Director-General in the past, but it has never necessarily been acted upon. I guess I was being asked on options to improve the relationship and, to that extent, a similar relationship as the one I have within the Department would be helpful.

30 MR SHARPE: At paragraph 110, on the question of whether there should be a single CFO for the Department and the Gaming and Wagering Commission, or separate CFOs, you suggest in an ideal world there would be two separate CFOs. Obviously your reference to an "ideal world" suggests we don't live in an ideal world. What is the constraint you see that prevents that from happening?

35 MS SHERDIWALA: Machinery of government changes, I guess, were not initiated, certainly by the Department or the Gaming and Wagering Commission. They were changes --- they were decisions of government that are outside our control. As a result of that, I have many, many shared hats within the Department and a number of its statutory authorities. So absolutely, best-case scenario, every entity could have its own CFO to eliminate doubt around whose interests an individual is acting in.

40

MR SHARPE: Do you consider that if the GWC had an independent CFO, they would be at liberty to make recommendations such as you should interrogate the basis for the service charge?

45 MS SHERDIWALA: As in, of the Department?

MR SHARPE: Yes.

MS SHERDIWALA: Yes, absolutely.

5 MR SHARPE: Is that something you feel constrained about making as a recommendation to the GWC because you are also part of the Department that sets the service charge?

10 MS SHERDIWALA: No. I'm constrained in terms of resources and in terms of whether its --- I guess, questions were not raised and I did not think it was an inappropriate basis of calculation or escalation. So to the extent that I felt comfortable making the recommendation, I was satisfied that my assessment was appropriate. I made the recommendation internally and it was then accepted and approved. So again, to that extent, I believed that my basis for those changes I proposed were appropriate.

15 COMMISSIONER JENKINS: Sorry, which changes were they?

MS SHERDIWALA: Sorry, the 5 per cent escalation in more recent years.

20 COMMISSIONER JENKINS: Who did you recommend that to?

MS SHERDIWALA: Internally to the Director-General.

25 COMMISSIONER JENKINS: Isn't this, sort of, the tension? You are recommending that, as CFO of the Department, to the Director-General of the Department, but you are also CFO of the GWC. Did you recommend they accept a 5 per cent increase?

30 MS SHERDIWALA: Yes. That's the process of approving the budget.

MR SHARPE: The implication of the Commissioner's question is perhaps if you were an independent CFO, you might advise the GWC that they should not accept a 5 per cent increase, and that puts you in a position of tension or perhaps conflict, in that you are trying to be CFO of a Department providing services and a CFO of a Commission receiving services that are the same services.

MS SHERDIWALA: Yes.

40 MR SHARPE: You might have split loyalties, I think is the point.

MS SHERDIWALA: To the extent I was discharging my function to both entities, I believe I have a shared responsibility in that regard. I guess, as I have articulated, my basis for escalation was based on output and so I believed I had a far greater basis for escalation on the fee that could be charged. Simply escalating the fee based on that 40 per cent allocation would have resulted in the fee increasing to something over \$6 million in that year. I obviously thought that was an unreasonable increase to impose upon any client, albeit, I guess, an agency I am CFO for. And I, equally, did

not know or understand whether that level of output would have been maintained. So to the extent I believed it was a form of escalation, until output either petered out or maybe returned to more normal levels, that was the basis on which I proposed the escalation. Again, I did believe I had a basis for a far greater increase but I thought I was operating, and I believe I was operating, in the shared interests of both entities to not escalate the fee to an amount that would not be reasonable for the GWC to reimburse.

10 MR SHARPE: Are you aware of whether the increase in audits, inspections and investigations was the product of a request by the GWC to increase audit, inspection and investigation or was it the product of the Department producing more of those outputs?

15 MS SHERDIWALA: I'm not aware.

MR SHARPE: Are you aware of whether there is any ability for the GWC to negotiate regarding the amount of output the Department produces in terms of audit, inspection and investigation, so that, for example, if it wanted to pay a lower service fee, it could request a lower number of inspections and audit investigations?

20 MS SHERDIWALA: To the extent that it would be requested, I can't see why we couldn't respond to that request as a Department.

25 MR SHARPE: But as a matter of practice, have you ever received such a request from the GWC?

MS SHERDIWALA: No.

30 MR SHARPE: So the essential process is the figure is produced by the Department and presented to the GWC and during the time you have been the CFO, that budget number has always been accepted; is that right?

35 MS SHERDIWALA: As I understand it, yes.

MR SHARPE: No further questions, thank you, Commissioners.

40 COMMISSIONER JENKINS: Thank you, Mr Sharpe. Any cross-examination? Mr Evans?

MR EVANS: Can I ask a couple of questions in clarification, thank you, Commissioners?

45 **CROSS-EXAMINATION BY MR EVANS**

MR EVANS: Ms Sherdiwala, my name is Evans. I act for the Gaming and

Wagering Commission. To pick up on that last point Mr Sharpe took you to, it is the fact that over the last number of budget cycles, the income and expenses of the Gaming and Wagering Commission have more or less been in balance; is that not the case?

COMMISSIONER JENKINS: Sorry, "have more or less"?

MR EVANS: "Been in balance".

COMMISSIONER JENKINS: Thank you.

MR EVANS: So income has roughly equalled expenses for the last number of budget cycles?

MS SHERDIWALA: I would have to refer to documents, the annual report.

MR EVANS: If you can't answer, that's fine. If it were the case, as you just indicated, that there was an unreasonable increase in expenses, that is an increase from around four and a bit million dollars to about six million dollars, which you just contemplated, that would mean either the Gaming and Wagering Commission would have to have reserves available to be drawn upon to pay the increase or it would have to increase its revenues; is that correct?

MS SHERDIWALA: Yes.

MR EVANS: You make reference in paragraph 54 of your statement about a potential increase in revenue. Just to understand what that means in a practical sense, for the Gaming and Wagering Commission to increase its revenues, it has to do one of two things, doesn't it; it either has to have the ability to increase external revenue sources --- you understand that?

MS SHERDIWALA: Yes.

MR EVANS: Those external revenue sources are, essentially, taxes upon the activities of gambling?

MS SHERDIWALA: Yes.

MR EVANS: Casino tax and the racing and wagering WA tax and associated licenses fees for activities; that is, licenses for employees, licenses for granting of permits, and so on?

MS SHERDIWALA: Yes.

MR EVANS: It has to increase those by \$1.5 million, in the postulated case, or it has to obtain appropriation from government?

MS SHERDIWALA: That's correct.

5 MR EVANS: That is the appropriation to which you refer at paragraph 60, although you are not aware of a request for appropriation having been made by GWC. To understand that additional initial appropriation, that would come through the Department, wouldn't it?

10 MS SHERDIWALA: We would coordinate the request on behalf of the Gaming and Wagering Commission.

15 MR EVANS: That would require the appropriation to be approved by the Expenditure Review Committee of Cabinet as part of the annual budgetary cycle, in competition with all the other demands upon government expenses and revenues?

MS SHERDIWALA: Absolutely.

MR EVANS: It is the case, isn't it, that such appropriations are not easy to get?

20 MS SHERDIWALA: Depending on the demands on the government's reserves, absolutely it can be complex and can't be guaranteed.

25 MR EVANS: One of the purposes of the machinery of government changes, indeed, was to reduce expenditure on departmental operations by consolidating the activities of departments, was it not?

MS SHERDIWALA: Yes.

30 MR EVANS: That is one of the things which has contributed to the strains upon your resources, which you mentioned a moment ago?

MS SHERDIWALA: Yes.

35 MR EVANS: At paragraph 67 you mention the absence of a formal agreement, including a service level agreement, between the Department and GWC. To understand, for those who may not otherwise know it, can you explain what a service level agreement is?

40 MS SHERDIWALA: A service level agreement would articulate the level of services that the Department would be providing to the Gaming and Wagering Commission and to what extent those would be, or the basis upon which that would then be reimbursed.

45 MR EVANS: So it would describe, firstly, the nature and extent of the services but, secondly, the quality of those services; that is, timeliness of provision, level of activity, and so forth?

MS SHERDIWALA: Yes.

MR EVANS: It would provide for quality oversight in relation to that and review by the agency that acquires those services?

5 MS SHERDIWALA: Yes. Depending on the sophistication of the document, yes.

MR EVANS: It would provide for a basis of charging either in globo or on an individual basis?

10 MS SHERDIWALA: Yes.

MR EVANS: Those are relatively common arrangements within governments, what I call major agencies and dependant agencies?

15 MS SHERDIWALA: I'm not aware of the arrangements outside my agency but it has been a process of development within DLGSC.

MR SHARPE: In terms of charging for services, again, it's not uncommon for government departments to charge for services, is it? They charge the public for services provided by the government?

MS SHERDIWALA: Yes.

MR EVANS: And departments charge each other for services?

25 MS SHERDIWALA: Yes.

MR EVANS: Indeed, Treasury has had a framework for the development of a costing methodology for some considerable time, has it not?

30 MS SHERDIWALA: Yes.

MR EVANS: That is currently --- and this isn't in the record for the PCRC but it can be, if need be --- Costing and Pricing Government Services, Seventh Edition, produced by Department of Treasury, and the current edition is dated May 2020. You are familiar with that?

MS SHERDIWALA: I am familiar with it, yes.

40 MR EVANS: That contemplates, as the most accurate measure of services for the purpose of developing a costing model, what is known as the activity-based service model, does it not?

MS SHERDIWALA: It is the recommended practice in State government, yes.

45 MR EVANS: That involves a relatively granular allocation of time and resources, including such things as capital assets, opportunity, cost of capital, as well as human

assets?

MS SHERDIWALA: Yes.

5

MR EVANS: That is not used as part of the costing model that you employed?

MS SHERDIWALA: No.

10 MR EVANS: Thank you. No further questions.

COMMISSIONER JENKINS: Thank you, Mr Evans.

15 **QUESTIONS BY THE COMMISSION**

COMMISSIONER MURPHY: Ms Sherdiwala, one question following on from the
entree about the Treasury costing guidelines. Given those guidelines are in place and
the deficiencies we have talked about with charging by outputs or by history, does
20 the Department have any proposal to revise the charging arrangements between the
Department and the GWC at the moment?

MS SHERDIWALA: To the extent that I am directed either by the Director-General
or by the GWC, I'm more than happy to deliver a review of the costing and charging
25 methodology.

COMMISSIONER MURPHY: But at this stage there is nothing in train?

MS SHERDIWALA: Currently, no.

30

COMMISSIONER MURPHY: Thank you.

COMMISSIONER JENKINS: Ms Sherdiwala, when you presented the breakdown
of the calculation of services to GWC, did you receive a request to provide some
35 additional information?

MS SHERDIWALA: I believe there was one question in relation to providing a
breakdown of the total cost of services that forms the base figure to which the
percentage is then applied.

40

COMMISSIONER JENKINS: When do you think you will be able to provide that to
the GWC?

MS SHERDIWALA: We're waiting for the total minutes of the meeting to come
45 out. There were a range of questions around the financial reports and the service
charge. So once the total number of questions out of that come out, we will respond
at the next meeting.

COMMISSIONER JENKINS: It won't surprise you to know I have another question about the calculation of services. My understanding, from what you are saying, is your recommendation for an increase was based on the audit outputs and the percentage that were non-liquor, in effect?

MS SHERDIWALA: Yes.

COMMISSIONER JENKINS: So the calculation, up until that point where you recommended an increase, what is your understanding of the extent to which the recoupment amount, as the witness before lunch described it, includes any value of non-audit and licensing costs of the Department? What we might call corporate costs or Mr Evans referred to resources like the IT system, or whatever.

MS SHERDIWALA: I do believe that in the total cost of services, as it is calculated for the Racing, Gaming and Liquor Division, there is an allocation of corporate overhead as well to that figure.

COMMISSIONER JENKINS: So, in your view, that would have been included in the initial 28.75 per cent or 30 per cent?

MS SHERDIWALA: 28.75.

COMMISSIONER JENKINS: 28.75.

MS SHERDIWALA: Yes, it is included in the budgeted total cost of service to which the 28.75 per cent is allocated.

COMMISSIONER JENKINS: Given the machinery of government changes are supposed to save money for agencies, once the Department of Racing, Gaming and Liquor amalgamated to become the Department it is today, has there been any decrease in those corporate costs that have been assigned to the GWC?

MS SHERDIWALA: There hasn't been an observable decrease in the costs but there hasn't been an observable decrease, or a decrease (inaudible).

COMMISSIONER JENKINS: Thank you. I don't have any other questions. Ms Seaward?

MS SEAWARD: Just a couple, please, Commissioners.

RE-EXAMINATION BY MS SEAWARD

MS SEAWARD: You were asked some questions about the audits and inspections and your basing your 5 per cent increase on the numbers. It was put to you that you

would need to know information about the time taken for the audits and inspections and that might alter your conclusion. Does the Department keep any information about the time taken for audits and inspections that you could utilise to do that calculation?

MS SHERDIWALA: Sorry, I'm not aware. That would be a question for the area that performs those functions.

MS SEAWARD: Mr Evans asked you some questions about activity-based costings. Is that the basis upon which the costings are done currently for the RGL division and your calculations for the GWC?

MS SHERDIWALA: Not specifically, no.

MS SEAWARD: Is there a reason for that?

MS SHERDIWALA: To the extent that we've maintained the same methodology that we believe has applied previously, for which I understood there to be a level of, I guess, activity-based allocation insofar as the Racing, Gaming and Liquor Division provides those services and so, to that extent, the total cost of that division relates to the activities then delivered. At a very high level, I do believe that that occurs but certainly, I guess, if you are looking at, you know, specific activity-based either time sheets or looking at percentage of officers times and such, then I don't believe that is the case.

MS SEAWARD: No further questions.

COMMISSIONER JENKINS: Thank you. Nothing arising?

MR SHARPE: No, thank you.

COMMISSIONER JENKINS: Ms Sherdiwala, your evidence has finished. We will leave the summons in place in case we have some further questions for you, but I doubt very much you will be required to return for further questioning. Thank you very much for your attendance and assistance today.

THE WITNESS WITHDREW

COMMISSIONER JENKINS: We will adjourn until 10 am tomorrow morning.

ADJOURNED AT 3.25 PM UNTIL THURSDAY, 2 SEPTEMBER 2021 AT 10.00 AM

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EXHIBIT #DLG.0001.0012.0007 - WITNESS STATEMENT OF SHANAeya SHERDIWALA DATED 31 AUGUST 2021, WITH AMENDMENT	P-3274