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PERTH CASINO ROYAL COMMISSION

PUBLIC HEARING - DAY 36

10.00 AM THURSDAY, 9 SEPTEMBER 2021

COMMISSIONER C F JENKINS

COMMISSIONER C MURPHY

HEARING ROOM 3

MR MICHAEL FEUTRILL SC and MS APARNA JAYASEKERA and MS ESTELLE BLEWITT 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 and MR PETER SADLER 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 JOSEPH GARAS SC and MS LAUREE COCI and MS MIRANDA CUMMINGS 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

10:00AM

COMMISSIONER JENKINS: Good morning. Please take your seats.

WITNESS: Good morning.

5

COMMISSIONER JENKINS: Can you see and hear me?

WITNESS: Yes, I can.

10 COMMISSIONER JENKINS: Mr Sargeant, just for the record, I note you are giving your evidence by videolink this morning. I understand you are going to take the affirmation?

WITNESS: No Bible, so I will take the affirmation.

15

COMMISSIONER JENKINS: Good. What is your full name, please.

MR BARRY ANDREW SERGEANT, AFFIRMED

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COMMISSIONER JENKINS: Thank you, Mr Sargeant. Mr Evans will ask you some questions and he will confirm that you can hear and see him. Thank you, Mr Evans.

25

EXAMINATION-IN-CHIEF BY MR EVANS

30 MR EVANS: Thank you, Commissioners. Mr Sargeant, you've been summonsed to appear before this Royal Commission today?

MR SARGEANT: Yes.

35 MR EVANS: And you've been invited to prepare a witness statement dealing with a number of topics.

MR SARGEANT: Correct.

40 MR EVANS: And did you cause that witness statement to be prepared?

MR SARGEANT: Yes.

MR EVANS: Do you have a copy of that witness statement in front of you?

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MR SARGEANT: Yes.

MR EVANS: It has I think 120 paragraphs over 38 pages.

10:02AM

MR SARGEANT: Yes.

MR EVANS: It is signed and dated by you 8 September 2021?

5

MR SARGEANT: Yes.

MR EVANS: Now, I think you read it and there are two corrections you would like to make to your witness statement; is that correct?

10

MR SARGEANT: There is two corrections, correct.

MR EVANS: Can I take you to paragraph 86.1.

15 MR SARGEANT: The word "decreasing" should read "increasing".

MR EVANS: It has, in this aspect, a terminological issue that has bedevilled us as to whether one is increasing or decreasing the speed.

20 COMMISSIONER JENKINS: I understand. Increasing the speed. So that change is made.

MR EVANS: And the last change is on page 38, the place in which you made your statement was in Sydney, not Perth?

25

MR SARGEANT: I signed in Sydney, yes, not in Perth.

COMMISSIONER JENKINS: "Perth" is deleted and "Sydney" is inserted.

30 MR EVANS: Other than that, in relation to the topics in which you've been invited to give evidence, that is your evidence to the best of your knowledge, information and belief?

MR SARGEANT: Correct, it is.

35

MR EVANS: I tender that.

COMMISSIONER JENKINS: So the amended statement of Mr Sargeant, which is -

--

40

MR EVANS: I believe it has a number and I think Mr Feutrill can assist you.

MR FEUTRILL: It is GWC.0003.0019.0001.

45 MR EVANS: Correct.

COMMISSIONER JENKINS: The amended statement with that number will be

10:04AM

an exhibit in the Commission.

5 **EXHIBIT #GWC.0003.0019.0001 - SECOND WITNESS STATEMENT OF MR BARRY ANDREW SARGEANT DATED 8 SEPTEMBER 2021**

10 COMMISSIONER JENKINS: Mr Evans, this might just be the copy that I have, but at the front of the document it says 8 September 2021 and on the last page it says "F (?) September 2021"?

MR EVANS: Commissioner, mine says 8 September 2021.

15 COMMISSIONER JENKINS: Thank you, then I will note mine as 8 too. Mine is signed and everything. Must have been that whichever printer was printing mine out had a mind of its own.

MR EVANS: Thank you, Commissioners.

20

COMMISSIONER JENKINS: Thank you. Yes. Mr Feutrill.

CROSS-EXAMINATION BY MR FEUTRILL

25

MR FEUTRILL: May it please the Commission.

Mr Sargeant, can you see and hear me?

30

MR SARGEANT: Yes, I can.

MR FEUTRILL: My name is Feutrill and I will examine you on a few topics. Before I do, can I just ask you, you might recall you gave a statement earlier to this Commission in May. Do you have a copy of that with you as well?

35

MR SARGEANT: Yes.

MR FEUTRILL: Good. Thank you. I wanted to make sure you had them both. Can I ask you, if you don't mind, to go to your most recent statement and turn to paragraphs --- this is the first topic you are asked about, and I'm interested in paragraph 7 and 8 where you've described there the remuneration of the members of the GWC for the period during which you were Director-General and also a member. You mentioned the remuneration rate was between \$10 and \$20,000 per annum. I have a question for you, which is, given the breadth of the responsibilities of the GWC as a body, and I've been become familiar in the course of this Commission with the volume of material that is before each meeting, in your view is remuneration of that level an appropriate level of remuneration for members of the GWC?

45

MR SARGEANT: Based on what's happened since the Royal Commission has been appointed, I definitely say no. But prior to that, I think it was a fair amount to be paid. It was increased a reasonable amount, I think, back when the Racing and Wagering body was created and the Gaming and Wagering Commission became part of the regulatory framework for the Gaming and Wagering Commission. But other than that, I thought for the volume of papers that generally went to the Commission, before I left the body, it was fair, and I didn't think it substantially increased until around about the time before the Royal Commission was created, we had all those issues to do with the overseas people participating in the activities of the casino, in the junkets, et cetera.

MR FEUTRILL: Mr Sargeant, I'm not sure I completely understand that answer. Are you suggesting, and just clarify this point if you don't mind, that the remuneration up until the point of which all of the allegations in the Bergin Inquiry became known and public you considered the remuneration to be fair and now not so much, or are you saying with the benefit of hindsight it never was in fact a fair and adequate amount of remuneration?

MR SARGEANT: I'm not saying with the benefit of hindsight that was a fair remuneration. I say in recent times, as --- as highlighted, issues to do with the junkets, et cetera, it may not have been a fair representation. But in my experience it was very hard to get a remuneratory body in having their sitting fees increased unless there was a very good case. In my time it would have been asking them just to review, that is the Public Service Commissioner, just to review the remuneration.

MR FEUTRILL: You've anticipated my next question. So in paragraph 9 you make reference to, I think, having made perhaps --- perhaps having made a submission to the Public Service Commission and it being refused in around 2016, my question really is, what was the nature of the submission made at that time?

MR SARGEANT: If my memory serves me correct, it was just a request to review the remuneration.

MR FEUTRILL: As little as that, or was there a document that went with it that explained the reasons why, in your view, a remuneration review was required?

MR SARGEANT: I can't recall preparing a detailed submission. All I can remember is writing to the Commissioner to ask for a review of the salaries of the sitting members, given that they hadn't been increased at some time. But no, I can't recall anything other than that.

MR FEUTRILL: So the nature of the review was really one that it hasn't been reviewed for some time, about time for an increase, rather than "Having regard to all these factors, taking into account the responsibilities and so forth, the remuneration should be increased"?

MR SARGEANT: I don't think I referred to things like the responsibilities. If I recall correctly, I just asked for a review of the sitting fees.

5 MR FEUTRILL: Thank you, Mr Sargeant. Might I ask you now, I think you have had an opportunity and I appreciate you may not have access to all of the documents that you once had, but I understand from your statement you have had regard to some of the materials made available to this Commission in answering the questions. I have a series of questions I would like to ask you about what is referred to as the
10 financial, or the services charge or the recoupment fee or words to that affect which you've dealt with in paragraphs 13 to 21 of your statement. Just before I ask you some questions about that, and you can go and have a look at this if you wish in paragraph 12, you indicated that for the time you were Chairman of the GWC, you reviewed the board papers before they went to the GWC members for each meeting.
15 That was your usual habit, I understand.

MR SARGEANT: As Chair, I would review the papers.

MR FEUTRILL: And in undertaking that exercise, were you reviewing them to
20 ensure there was adequate information provided to the members in respect of each of the items in the agenda?

MR SARGEANT: Well, that would have been one of the considerations. If I was not happy with them from the point of view of content, then I would probably ask
25 them to either add material or defer it to the next meeting, but that was one of the considerations.

MR FEUTRILL: Can I ask you this question in connection with that, as the Director-General of the Department at the time, were the views of the papers
30 prepared by each of the Departmental officers reflective of your own view in each case or did they have some independence?

MR SARGEANT: There would have been independence but I didn't want people just to rubber stamp things. The way I felt there would have been independence. I
35 was looking for good advice to go to the Commission.

MR FEUTRILL: When you say "good advice" do you mean to say by that that you had some influence over the nature of the advice that went to the Commission?

40 MR SARGEANT: Well, if I thought there was something major I would make it my own submission if I had to, if I was to discuss it with an officer preparing it. Be it in the main, sometimes documents would go to the Commission and I'd be happy with the case put, but I might not necessarily support it when it got to the Commission meeting.
45

MR FEUTRILL: I see. Could I ask that we call up document PUB.0002.0002.0156. This document, Mr Sargeant, is an annual report of the GWC for 2005 and 2006. If I could ask the operator to just show the first page to Mr Sargeant and then navigate to

page 0168. Could I ask you, Mr Sargeant, I want to direct your attention to the heading "Summary of Financial and Non Financial Indicators, Including Changes From the Previous Year" and there is a paragraph that begins "as at 30 June 2006".

5 Would you mind just reading that ---

MR SARGEANT: Can you make it a little bigger to read?

MR FEUTRILL: I'm sure it can be.

10

MR SARGEANT: That's better.

COMMISSIONER JENKINS: Is there any way that screen can be brought closer to you?

15

MR SARGEANT: No, it can't the way the desks --- but I can read that comfortably.

COMMISSIONER JENKINS: All right. Thank you.

20 MR FEUTRILL: Have you finished reading it, Mr Sargeant?

MR SARGEANT: I've read it, yes.

25 MR FEUTRILL: This year's financial statements and budget was, I think, one of the subject of the topics you've been asked to address and you've addressed. I'm interested in the third sentence that begins:

The recoupment rate is determined on a full cost recovery basis of the total expenses of the Department .

30

Was that an accurate statement as at the preparation of the annual report for the GWC in 2006?

35 MR SARGEANT: Well, I would presume so. I can't recall specifically back then as to what happened but the costs of the Department were recovered, effectively some from the Gaming Commission and some from the appropriation of Parliament and other fees that were raised by the department. I've got no reason to say anything other than what I can read there.

40 MR FEUTRILL: Well, is it your recollection from your time as the chairman of the GWC and Director-General of the Department, that the basis upon which the recoupment rate or the service fee of the Department was charged to the GWC was, as it was described there, on a full cost recovery basis?

45 MR SARGEANT: We would attempt to recover the costs. Later on in my particular statement I do refer to times where we might have had some benefits in regard to revenue flows within the Department, and we would have basically retained some of those extra revenues by crediting or reducing the service fee that the Department was

charging the Gaming and Wagering Commission. But that's the large extent to which we charged for the services. Roughly I can recall it was usually about 30 per cent the Department received from the Gaming and Wagering Commission.

5 Roughly that sort of figure.

MR FEUTRILL: I understand what the figure may ultimately have ended up being around 30 per cent of the costs of the Department. The question I'm really asking is whether the foundation or the basis for the charge was understood to be and intended
10 to be on a full cost recovery of the --- in other words, what the department spent providing the services to the GWC, it recovered from the GWC.

MR SARGEANT: As determined by the finance department, yes, it would have been. Otherwise the Department would have been short on revenue and therefore
15 would not have been able to function because it would have had to go back to get more funds from treasury through appropriation.

MR FEUTRILL: I'm emphasising the distinction between in a commercial arrangement the parties providing services may add a profit margin to the fees. This
20 is not one of those arrangements. You were simply wishing to pass through the Department's costs to GWC?

MR SARGEANT: That is correct. There was never an intent to generate a profit on the services provided, it was definitely designed to recoup the costs incurred. One of
25 the issues was also to try and allocate overheads across that costs, but that was the intention, only recoup costs and no margin.

MR FEUTRILL: I understand there can be debates about overhead recovery. I want to come to that in a moment. Before I leave the topic, is this statement essentially in
30 the 2006 financial, or the annual report for the GWC, reflective throughout the period that you were chairman of the GWC?

MR SARGEANT: As Chairman of the GWC it was never my understanding nor intention that the Department would be charging a profit margin on the service
35 provided.

MR FEUTRILL: No. So just to be clear about this, Mr Sargeant, for the period that you were Chairman of the GWC, it was the intention to pass through the costs incurred by the department to the GWC; is that correct?
40

MR SARGEANT: To the GWC, yes.

MR FEUTRILL: Unfortunately I've managed to rearrange my page. I'm not sure how I managed to do that. I'm sorry, Mr Sargeant, I've momentarily lost my place.
45

Could I ask that we call up GWC.0007.0011.0225. This is an agenda for GWC meeting in June 2005. I ask that we move to page 0388.

Again, Mr Sargeant I will ask you to read this, and you may have already read this before today in preparation for your statement but I ask you to read this page, which is the page 0388 and the following page, 0389, there are three parts I want to draw to your attention before I ask you some questions. The first is the paragraph that begins "The recoupment of services provided by the Department of Racing, Gaming and Liquor", that paragraph, which is the third paragraph on page 0388; the last bullet point on that page; and then on the following page the various items that are identified there which are identifying two columns, one for the previous year and one for the 2005/2006 year.

MR SARGEANT: I haven't seen the next page. Are you seeing what I'm seeing?

MR FEUTRILL: This may be difficult because it is blown up so much, but if we can put it side-by-side it may help you. But if you can't read it then we'll do it one after the other.

MR SARGEANT: We may have to do it one after the other because I don't think I can split the screen here.

MR FEUTRILL: Just let me know when you are finished with the first page, Mr Sargeant.

MR SARGEANT: The first page is finished.

MR FEUTRILL: Can we navigate to the next page, please.

MR SARGEANT: Okay, I've read that, yes.

MR FEUTRILL: Bearing in mind this is a budget, so this is a document that is seeking to estimate the charges for the 2005/2006 year rather than an actual cost recovery at this stage. Can I ask you --- the first question I have for you is, is it the case that the estimate is really saying this is what the charge was in 2004/2005, if we increase that by CPI, that ought to correlate more or less with the fee we charged in 2005/2006; is that how I understand the paper?

MR SARGEANT: Yes, bearing in mind though the first paragraph does talk about the previous year, we must have had savings or done something because we reduced the charge by about, I don't know how much it was, but there was an element of decrease in the charge.

MR FEUTRILL: 300,000.

MR SARGEANT: Yes. I can't recall why that happened.

MR FEUTRILL: All right. I'm not going to ask you about the 300,000. That was dealt with some years ago. I'm more interested in understanding what was behind the figures in those budgets.

MR SARGEANT: Sorry, what was the question again?

5 MR FEUTRILL: I'm more interested in understanding what was behind the figures
in the budgets, not so much the numbers themselves at this time, Mr Sargeant. So if
we look at the page 0389 and the various items there, would you agree with me that
broadly speaking, they fall into two categories: there are direct costs of employing
departmental staff, salaries --- but you are essentially trying to capture the cost of a
10 person who is performing a service for the GWC as a direct or indirect cost of
employment? One category. And the other category is some proportion of the
overheads for you are providing the services have sought to be captured as well,
under operating costs, corporate services.

15 MR SARGEANT: If that's what has been prepared, that's looks as if it is the
intention of that table.

MR FEUTRILL: I'm just --- so broadly speaking, what is being sought to be done is
20 identify the direct costs of the staff, pass that through to the GWC, plus a recovery
for a portion of the overheads of the Department in providing the services?

MR SARGEANT: Things like workers comp and superannuation might have been
able to be appropriately apportioned whereas the rest would have been an overhead
item, yes.

25 MR FEUTRILL: All right. There would be a mechanism by which you can
apportion between the staff, workers comp premiums and superannuation and those
things?

MR SARGEANT: I would suggest so. I would suggest so.

30 MR FEUTRILL: Okay. So when one reads "full cost recovery" in the financial
statement and the annual report, are we to understand that to be that is a broad
description for a breakdown of the kind that is referred to on this page?

35 MR SARGEANT: Well, it would be base salaries plus all the overhead costs
involved.

MR FEUTRILL: Can I ask that you be shown the annual report for --- sorry, back to
40 the annual report of the GWC.

COMMISSIONER JENKINS: Is it this document or another one, Mr Feutrill?

MR FEUTRILL: Sorry, different document. This one is PUB.0002.0002.0156, and
45 the reference is at page 0229.

This is a note to the financial statements for the GWC in 2005/2006, and you will see
there, under the heading "Significant variances", there's a series of numbers. I'm

interested here in the service and contract fees. A little over 3 million for estimates and actual around 2.5, and then a variance of 426,624,000. Under there, there is a note saying service and contract fees, the decrease is primarily due to reduction in the amount of (inaudible) by Department of Racing, Gaming and Liquor.

COMMISSIONER JENKINS: Can we scroll down, please, so we can see the number on the screen.

MR FEUTRILL: I'm sorry. I just direct your attention to that paragraph.

MR SARGEANT: Can you make the words bigger, the one about services and contract fees?

MR FEUTRILL: Sorry.

MR SARGEANT: Thank you.

MR SARGEANT: That's the explanation they've prepared.

MR FEUTRILL: Do we understand from that that the recoupment fee, the full cost recovery for that year was calculated in an actual way lower than the budget, meaning to say the actual costs of providing the services that year were at a variance of around \$426,000?

MR SARGEANT: I would suggest, consistent with what happened before, there would have been extra revenue that came in to the department and one might have retained that and reduced the service fee to the Commission, which meant the Commission was able to carry that amount of money forward. That's how I would answer that, but I have no other explanation.

MR FEUTRILL: I don't completely understand that answer. Are you suggesting that if the Department had an additional income in a year, revenue, that it would effectively pass on in some way part of the benefit of that to the GWC by reducing the fees charged to it; is that what you mean by that?

MR SARGEANT: Yes. That's what I recall, yes.

MR FEUTRILL: So that would not reflect a full cost recovery then would it?

MR SARGEANT: In that sense, but the budget was always set to that, depending on how the fees were raised by the Department, then we could reduce the amount that's charged to the Gaming Commission by reducing that amount, it meant that we balanced --- the budget of the Department and it would enable the Commission to carry those monies forward because it had less expenditure to pay out. So these are base charges still based on full cost recovery when we did the budget.

MR FEUTRILL: The budget may be on full cost recovery, but the budget would be

inaccurate because in that year it was not full cost recovery because it was reduced by an amount for the reasons you've described?

5 MR SARGEANT: But it was determined on that basis. That is the rate, and then at the end of the financial year when we have some benefits from the revenue, then we did pass that through. So in that sense it wasn't a full cost recovery but it was actually subsidised.

10 MR FEUTRILL: Back to my question, that means the statement at the start of the annual report was not accurate then, it was not a full cost recovery basis for that year?

MR SARGEANT: The thing is the recoupment rate is determined on a full cost recovery basis. The rate initially was determined on that but subsequently it was reduced.

MR FEUTRILL: Was there an advantage to the Department in passing on, if you like, the additional revenue that way to the GWC?

20

MR SARGEANT: There was an advantage to both the Department and the Commission because if we didn't pass it on, then it would just be retained by Treasury.

25 MR FEUTRILL: So just explain to me how that works, how it would be retained by Treasury. Would that be because there would be a surplus balance in the bank account for the Department?

MR SARGEANT: It could mean they take the cash out but if you had an appropriation of, say, 10 million and only spent 9.6 million then basically the 400,000 difference would benefit back to the consolidated fund.

MR FEUTRILL: You might have answered another question I had for you. In paragraph 18.1 of your statement, can I ask you to go to that.

35

MR SARGEANT: That was for that year.

MR FEUTRILL: You describe there what I think you've just been talking about for this year.

40

MR SARGEANT: Yes.

MR FEUTRILL: Is this a means of effectively, for want of a better way of putting it, parking some funds for the benefit of the GWC without the Department having to have its budget reduced by Treasury in that year?

45

MR SARGEANT: No, no, the revenues were determined differently. No, I don't think it did. I don't think it did.

MR FEUTRILL: Well, if Treasury saw the surplus of 400,000 in the Department's accounts, I think you said they would ---

5 MR SARGEANT: Sorry, Treasury wouldn't see the surplus because the way in which the amount was coming through, if we hadn't transferred it that way then the revenue would have been showing up there was a surplus. There was no surplus reported to Treasury.

10 MR FEUTRILL: No, but had the revenue been recorded, and had there been a surplus in the accounts of the Department, is it the case that Treasury would have then effectively utilised those funds for general purposes of the State rather than have them remain with the Department and the GWC?

15 MR SARGEANT: It would have taken those monies, yes.

MR FEUTRILL: So, do I understand, and you can correct me if I'm wrong, Mr Sargeant, the process to have been as follows: during the annual budgeting process a budget was prepared in which an estimate was made of the actual costs that the
20 department would incur in providing the services to the GWC for the following year?

MR SARGEANT: Yes.

MR FEUTRILL: That then was reflected in the Department's budget as an estimated
25 revenue stream ---

MR SARGEANT: Yes.

MR FEUTRILL: --- and in the GWC's budget as an estimated cost or expense? At
30 some point in that financial year, was it the case that a determination was made by the Department as to whether it would in fact pass on the full cost to GWC in that year?

MR SARGEANT: Yes.

35

MR FEUTRILL: And if, for the purpose of the Department, it was to benefit or pass on, if you like, an increase in revenue, it would do so for the purposes of effectively the Department's budget?

40 MR SARGEANT: Sorry, can you repeat that reasoning.

MR FEUTRILL: If a decision was made, it was in the interests of the Department to reduce the charge to the GWC, it was done for the benefit of the Department's budget in a particular year?
45

MR SARGEANT: I think the benefit would be more for the Gaming Commission, because had we not done that, then the benefit would not have flown back to the

Department, sorry, back to the Gaming Commission, it would have been absorbed by the Treasury.

5 MR FEUTRILL: I see. What happened in circumstances where the reverse was the case? Where the budget of the Department --- the actual costs incurred by the Department in a given year exceeded its estimate for that year? Did the Department then charge an additional fee to the GWC for that year?

10 MR SARGEANT: I can't recall having done so, but there are some variances which you've asked so I can't answer in relation to other years. But generally speaking, we were able to manage affairs fairly well from year to year. I can't recall us having to go back to Treasury for supplementary funding but, as I said, I can't recall everything that happened back then.

15 MR FEUTRILL: This process that has been the subject of your evidence, was that made clear in any way to your recollection to members of the GWC?

20 MR SARGEANT: I can't recall how it would have been explained to the GWC members. The fact that it was a saving to the Commission, was a benefit to the Commission, but I can't recall what would have transpired in communicating that to the Commission members.

25 MR FEUTRILL: You are familiar I take it --- I take it you remain familiar with the Financial Management Act?

MR SARGEANT: Well, I can't recall much about it, but if you were to make statements I can then take it from there.

30 MR FEUTRILL: The budgeting process of the Government, you recall and are familiar with that process?

MR SARGEANT: Yes.

35 MR FEUTRILL: For the latter part of the period that you were the Director-General of the Department, Mr Ng was the CFO of the Department; correct?

MR SARGEANT: Yes.

40 MR FEUTRILL: Do you recall that under the regime, the State regime, there was a requirement for the Department to have a CFO?

MR SARGEANT: Yes.

45 MR FEUTRILL: And equally there was a requirement for the GWC to have a CFO as well, as a State instrumentality?

MR SARGEANT: Look, I know we had one for the Department. I can't recall

whether we appointed him specifically for the Gaming and Wagering Commission, but I know we had one for the Department. I don't know whether he was formerly also the CFO for the Gaming and Wagering Commission. I can't recall.

5

MR FEUTRILL: The budget for the GWC was prepared by a departmental officer, was it not?

MR SARGEANT: Yes.

10

MR FEUTRILL: And the ultimate responsibility for preparation of that rested with the CFO of the Department?

MR SARGEANT: Yes.

15

MR FEUTRILL: So the CFO of the Department was in effect the CFO for both the Department and the GWC?

MR SARGEANT: I would accept that, yes.

20

MR FEUTRILL: Now, would you agree that one of the purposes of this process is to ensure that there are accurate estimates made of the revenues and expenses of government departments each year?

25

MR SARGEANT: That's the budget process, would work to that end.

MR FEUTRILL: Was it your practice to typically meet in the early part of each year with the CFO and go through the budget for the Department?

30

MR SARGEANT: It would be early part of the calendar year, yes. We would rely on them to bring the budget together for the Department.

MR FEUTRILL: And was it part of the same process you dealt with the budget for the GWC?

35

MR SARGEANT: Normally the budget for the Department was set first.

MR FEUTRILL: So you set the Department's budget and then was there a follow-up where you set and determine what the budget for the GWC would be?

40

MR SARGEANT: That would normally be the case although I think the CFO would normally have a fair idea of what the budget for the Gaming and Wagering Commission would be but fundamentally the Department was the main focus initially to see how it would all come together.

45

MR FEUTRILL: Do you recall or are you familiar with the terminology used in the budgetary process of an accountable authority?

MR SARGEANT: Yes, yes, it was accountable authority, yes.

5 MR FEUTRILL: And that is the person or the entity that is responsible to the Minister for the financial management and services of the relevant agency of the State?

MR SARGEANT: Yes.

10 MR FEUTRILL: As Director-General of the Department, you would effectively be the accountable authority for that Department, weren't you?

MR SARGEANT: Correct.

15 MR FEUTRILL: Did you understand that the GWC members, that is to say the GWC, was the accountable authority for the purpose of that state structure or some other person?

20 MR SARGEANT: No, it was the accountable authority, the Commission members were.

MR FEUTRILL: So the Commission itself had the responsibility and accountability to the Minister for the preparation of its budget; correct?

25 MR SARGEANT: While it had the responsibility, the work was done by the Department for them and the budget was put to the Gaming Commission.

30 MR FEUTRILL: Yes. I'm trying to understand how this worked because essentially the same people, it seems, Mr Sargeant, the CFO for the Department, is the CFO for the GWC, undertaking the same exercise for each of these entities. The Department is determining effectively what it will charge the GWC; correct?

MR SARGEANT: Yes.

35 MR FEUTRILL: Was there anyone in the room considering the GWC's position on whether the charges were or were not appropriate?

40 MR SARGEANT: I don't think anybody in the room represented either interest in that sense, bearing in mind that the relationship between the Department and initially the Gaming Commission had been set in train well before I came on the scene. We just continued it through. There was no staff for the Gaming and Wagering Commission. The staff would have come from the Department.

45 MR FEUTRILL: Would you accept this proposition, that when you are calculating the actual costs incurred in the performance of these services, it would not be an exact science?

MR SARGEANT: Yes, I would accept that, not an exact science, yes.

MR FEUTRILL: There would be elements of judgment required to work out what is and what is not truly a cost to be allocated to provision of these services to the GWC?

5

MR SARGEANT: Yes.

MR FEUTRILL: The decision-making process for the determination of the allocation of what was being undertaken by the departmental officers, was it not?

10

MR SARGEANT: Yes, on behalf of the Commission as well.

MR FEUTRILL: And to your knowledge was the process of reasoning, that is to say how the costs were allocated, how they were determined, provided in a transparent way to the GWC members?

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MR SARGEANT: When you say "provided in a transparent way", what do you mean by that?

20

MR FEUTRILL: Were they provided with a description of the way in which the charge was calculated?

MR SARGEANT: I can't recall that being provided. They were given a budget amount which we had arrived at put in the context of revenues. No, I can't recall that analysis being provided.

25

MR FEUTRILL: All right, I ask that question because we have been through several papers and not been able to ascertain a crisp explanation. Was it your practice at the GWC meetings to speak to the budget or bring in the CFO to speak to the budget?

30

MR SARGEANT: I'd be prepared to speak to the budget if there were any queries they wanted, I was happy to bring the CFO, but rarely did members request that activity.

35

MR FEUTRILL: When speaking to the budget, was there an explanation given as to the exact manner of the service cost and its allocation and the service charge prepared?

MR SARGEANT: My recollection would be no, but I could be proven wrong there.

40

MR FEUTRILL: So is it the case that in effect, the Department determined what it would charge the GWC, put that in the budget and the GWC accepted that?

MR SARGEANT: That would be a fair description, yes.

45

MR FEUTRILL: And what of this process at the end --- at the end of the financial year, was it the case that you were keeping an eye on how the Department's budget was travelling, and some time in around May you met with the CFO again to discuss

what costs would actually be charged to the GWC?

5 MR SARGEANT: The intention was never to increase the charge. Definitely if we had some revenues, then we would pass them on to the Gaming and Wagering Commission and the decision could be made as to what the last month or two months' fee would be.

10 MR FEUTRILL: All right. That process, was that a process involving the CFO and yourself?

MR SARGEANT: Normally the CFO and myself, it would have been, and the heads of the other sections of the department to see what other priorities there were within the department.

15 MR FEUTRILL: All right. In that process, were you considering then in effect the rebate, or whether you would reduce the cost charge to GWC for that year for whatever reason?

20 MR SARGEANT: That would be the options we would be pursuing, that or something else, but discussing as to what the priorities were.

MR FEUTRILL: That decision was being made by the Department, was it not? Again no one in the room was there for the GWC were they?

25 MR SARGEANT: No, in a sense I had a dual role there, I was representing the GWC as well, being a member of the GWC.

30 MR FEUTRILL: Yes, I understand that. So was it the case that the GWC members were informed of this process before the outcome was determined or were they informed after you decided what the rebate would be for the year?

MR SARGEANT: I would suggest after the rebate had been decided.

35 MR FEUTRILL: Commissioners, can I just ask one or two questions before I ask Mr Sargeant some more. I appreciate he is on the Eastern Seaboard. Are we proposing to break for lunch?

40 COMMISSIONER JENKINS: I think in the past what we did was break at about 11 for half an hour; is that right? And then --- because that would be 1 o'clock Sydney time. And then come back and take our lunch break ---

MR FEUTRILL: A little later.

45 COMMISSIONER JENKINS: Yes, around 1.

MR SARGEANT: Commissioner, I'm happy to work to Perth time. Please, don't make any allowances for me. Commissioner, I'm happy to go normal and go to lunch

at 1, that's fine, or whatever it is for yourselves.

5 COMMISSIONER JENKINS: All right. Thank you very much, Mr Sargeant. So I would continue, Mr Feutrill at this point. We might break a little earlier for morning tea. It's up to you.

10 MR FEUTRILL: All right. Mr Sargeant, can I ask you to refer again to your statement. This time I ask you to look at paragraphs 13 through to 16 of your statement. And you have described there --- you will recall that in --- you've been asked the question around one of the budgets where there was a fairly significant increase in the recoupment charge for that year, and explanation given to the effect that it's been adjusted to reflect the true indication of costs. And you described here that there was some kind of review undertaken in order to reach that conclusion.

15

MR SARGEANT: Yes.

20 MR FEUTRILL: What I'm interested to know is, you refer there to a review by Mr Younger, and that he undertook a review, including the estimated time taken for an officer to do various tasks that were connected with the Department's services provided to the GWC. I'm paraphrasing, but that's the gist of it?

25 MR SARGEANT: It wouldn't be for the GWC because I think I have referred to the fees and charges for licenses and permits, as distinct from the inspectorate side.

25

MR FEUTRILL: I see. So was this a task undertaken specifically to determine the time taken by Departmental officers to deal with, for the purposes of the GWC at least, applications for licenses and the like in connection with the Perth Casino?

30 MR SARGEANT: And the liquor licensing as well. It was across the board.

MR FEUTRILL: Sorry, and perhaps other things in the remit of the GWC as well.

35 MR SARGEANT: No, no. You've described the fact that "we undertook review of the fees and charges for the licenses issued by the Gaming and Wagering Commission but also there are many licenses and permits under the Liquor Control Act." So that was the exercise --- the exercise was looking at the time taken to process an application for a Bingo permit, for a standard lottery permit, for a key employee licence, for a hotel licence, for an approved manager licence, those sort of activities within the Department. We had two programs: licensing and compliance.

40

MR FEUTRILL: So this is dealing only with licensing, not with compliance?

45 MR SARGEANT: Licensing side, that's right.

MR FEUTRILL: Okay. So were you familiar with the way in which Mr Younger went about his process of estimating time taken?

MR SARGEANT: I can't recall. He was a very competent officer. That's why we brought him in to work on this exercise.

5 MR FEUTRILL: Do you recall whether there was any time-based analysis undertaken? As I say, people kept time records of how long it takes to do various tasks?

10 MR SARGEANT: I don't know how he ascertained that, but that was one of the activities I recall he looked to get some idea of what it would cost. You have the time and average rate of salaries you would have to involve, whether it be a low level officer or a high level officer, you have to give an average rate. But that would have been one of the principal things he would have had to have looked at, is the time taken to process an application. But I can't recall the detail.

15 MR FEUTRILL: All right, so is it your understanding that Mr Younger undertook some exercise by which he attempted to accurately estimate, for our purposes, the time departmental officers spent, the proportion of time they spent, really, dealing with GWC licensing activities?

20 MR SARGEANT: Yes, it would have been, yes.

MR FEUTRILL: Was there an equivalent review undertaken with respect to compliance activities?

25 MR SARGEANT: No.

MR FEUTRILL: And why was that?

30 MR SARGEANT: I can't recall why, but I think it was given the number of licenses being processed and the number of staff involved, it was a bigger proportion of the Department's budget, but I can't give you an accurate reason why that wasn't done. All I know is it was focused on the fees and charges.

35 MR FEUTRILL: All right. So is it the case then that having undertaken the exercise in this period, effectively the Department reached the view that it had been undercharging GWC for those services and, therefore, the costs passed on to the GWC needed to be increased?

40 MR SARGEANT: That's the way in which I read the particular documents, yes.

MR FEUTRILL: But again, the underlying principle here, as I understand your earlier evidence, is that what the Department was seeking to do was pass through actual costs to the GWC?

45 MR SARGEANT: Correct, yes.

MR FEUTRILL: So that is your best understanding to true indication then, it's not

that there wasn't an attempt earlier to estimate actual costs, it's just you are doing it better going forward; is that the gist of it?

5 MR SARGEANT: I think there had been a review done some time ago. Because I can recall the Parliament had rejected the increase which was put through. I can't remember what day or year it was but it was some time ago. It would have been the 1990s, I suspect, that we would have done some sort of review.

10 MR FEUTRILL: Could I ask just before we leave this topic, Mr Sargeant, if we could call up GWC.0007.0011, which should be the budget papers for the 2010 budget. Scroll to page 0493, which is the beginning of the paper to show you, Mr Sargeant. That's the beginning of the agenda paper addressed to you as Chair of the GWC. Then just move forward in that document, please, to page 0497. You may recall a little earlier I showed you a budget for I think it was the 2005/2006 year, and
15 that had the service fee broken up into various components. In this budget it doesn't appear to have been done in that way. It is simply a line item. Sorry, on page 0496. In the middle of the page there is a service provided by DRGL and there is an amount, a lump sum for the year.

20 I asked you a little earlier, in the delivery of the budget to the GWC each year, in these circumstances where there is no breakdown of that number, was that something that you as a matter of practice went through with the GWC to explain how that breakdown figure had been calculated and what its components were?

25 MR SARGEANT: No, that budget is for the period ended 28 February 2009, it's not the full year costs. It's for eight months. 28 February 2009. Are you looking for the figures through to 30 June 2009?

30 MR FEUTRILL: I'm looking at page 0496.

MR SARGEANT: Look at the heading up there, on the left-hand side, is that what you want me to comment on?

35 MR FEUTRILL: I'm looking at the annual budget ---

MR SARGEANT: Of \$3.277 million? And what we would have anticipated what the annual budget would be and what we're saying there, is we think we're travelling and it would be 331,000 better off.

40 MR FEUTRILL: All right ---

MR SARGEANT: For some reason, I don't know why. But that's how I would interpret that.

45 MR FEUTRILL: All right. So if you go back to the start of the document, 0493. I see, Mr Sargeant, this is a paper updating saying for that year there is an anticipated additional charge for 2008/2009?

11:03AM

MR SARGEANT: Can you make it so I can read it, please?

MR FEUTRILL: It's on page 0493.

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MR SARGEANT: The overall deficit, apart from the Commission, but I thought --- didn't it show that the service charge from DRGL was only 30,000 of that?

10 MR FEUTRILL: Well, there is an estimate, you said the fee was going to increase for that year? I thought you said earlier there were not years when the fee went up in ---

15 MR SARGEANT: Yes, unless it was explained, saying that we will have a recorded deficit of 123,000 for the period. There is no --- enough detailed explanation as to how much ultimately that was going to be comprised of, yes. The results indicate a surplus for this financial year, so it is a bit confusing.

20 MR FEUTRILL: I think I'm having trouble with my electronic copies. This might be a convenient time.

COMMISSIONER JENKINS: We will take morning tea now, Mr Sargeant, and we will return again at 11.20, which is 1.20 your time.

25 MR SARGEANT: Thank you. Thank you.

ADJOURNED **[11.05AM]**

30 **RESUMED** **[11.23AM]**

COMMISSIONER JENKINS: Thank you. Please take your seats.

35 Yes, Mr Feutrill.

MR FEUTRILL: May it please the Commission.

40 Mr Sargeant, I would like to ask you some questions about a different topic now. In your statement you've dealt with an organisation called the Problem Gaming Support Services Committee, or PGSSC, in a number of places. I won't take you to all of them now, but if I could start with paragraphs 108 to 111 of your statement to where you've dealt briefly with the establishment or the formation of the Committee and its constitution. Do I understand correctly that it was previously known as the Problem
45 Gambling Support Services Advisory Committee and was formed in 1995?

MR SARGEANT: I can't recall whether it was that title, it might be. It's one and the

same committee, though. The question is who are they advising?

5 MR FEUTRILL: All right. So there was a committee formed, to the best of your recollection, in around 1959?

MR SARGEANT: Around the mid-90s, yes.

10 MR FEUTRILL: And it is now known as the PGSSC?

MR SARGEANT: Yes, Problem Gambling Support Services Committee.

15 MR FEUTRILL: When it was formed, do you then recall who the members were at the time of the formation?

20 MR SARGEANT: The specific people, no, but ultimately it constituted by the CEOs of Racing and --- or the TAB, Burswood Casino, Lotteries Commission, and I think the Bookmaker's Association as well. But it may not have started off with the CEOs, but eventually in a very short time it had the CEOs and I was there as well.

MR FEUTRILL: Mr Sargeant, is there some interference, is someone drilling in your room?

25 MR SARGEANT: Not in my room, no. I'm in a special boardroom. Is it very bad?

MR FEUTRILL: No, no, just a couple of interruptions. I hope it won't continue.

30 In this paragraphs you have indicated you did not consider it, that is the PGSSC, to be a member of the GWC?

MR SARGEANT: No, I didn't at that stage. The GWC I think were basically consulted about the creation of the committee.

35 MR FEUTRILL: Yes. So I've got a few questions about this Committee because it's mentioned quite a bit in the context of Responsible Service of Gambling, in documents and so forth. Does it have a constitution of which you are aware?

40 MR SARGEANT: No, I think we had a strategic plan at some stage, that's about the best we would have had. Does it have any governing rules?

MR SARGEANT: No.

MR FEUTRILL: Does it have a bank account?

45 MR SARGEANT: No, because it relied on the Gaming and Wagering Commission bank account.

MR FEUTRILL: All right. So I take it from that it is not an incorporated association

and doesn't have any corporate structure?

MR SARGEANT: Correct.

5

MR FEUTRILL: How are the membership of it determined?

MR SARGEANT: Well, if I recall correctly, when it was established it was --- because we didn't have any legislation in the Casino Control Act or the Gaming
10 *Commission Act at that stage, and nor did we have any source of funds to fund*
activities like this, then this was a way of garnering some money from the proponents
of gambling in Western Australia to put together some monies to (a) create some
awareness of gambling problems that people have, and to provide some counselling
services. One of the reasons why it wasn't established under the auspices directly of
15 the Gaming and Wagering Commission Act, or the Gaming Commission Act then,
was I thought --- and I think some of the Gaming and Wagering Commission
members might have agreed with me, that others might have thought this is a
government problem, we pay enough taxes to the state to fund it. In the other states
not only do they have to pay their various amounts of tax levels, they pay for these
20 services through a levy. So it is designed to get the organisations that participate in
gambling to fund and own the issues to do with gambling.

MR FEUTRILL: My question was really directed to how --- who chose the
members? Who decide who would be a member of the Committee?

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MR SARGEANT: Well, ultimately, as I said, it was decided the CEOs would
become the members.

MR FEUTRILL: But who made that decision?

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MR SARGEANT: That would have been the Committee that first met, and then
maybe I would have had some discussion with the participants when that was agreed
to. That is Crown, then it was Burswood, there would have been the TAB and the
Lotteries Commission and the Bookmaker's Association.

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MR FEUTRILL: Were you the person driving its formation? Was it your idea?

MR SARGEANT: One of my staff was helping me who was also a driving force
behind it as well.

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MR FEUTRILL: So did you see this as a function in your role as the Director-
General of the department or as a chairman of the GWC?

MR SARGEANT: More as a Director-General of the Department.

45

MR FEUTRILL: And did you invite the various CEOs of the various organisations
you've described to become members did you?

11:30AM

MR SARGEANT: We would have had a meeting and they would have agreed to it. I don't think there was a formal invite but it was agreed that this would be a way to go forward, to provide some services to address issues with problem gambling.

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MR FEUTRILL: I take it you are no longer on the committee, you are not a member now?

MR SARGEANT: I started --- I knew I was retiring and definitely 2017 I didn't attend, maybe somewhere before 2016, but that would have been the last.

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MR FEUTRILL: Were you the GWC representative on the Committee?

MR SARGEANT: I wouldn't say I was a representative, but because I was the DG and the Gaming and Wagering Commission Chairman, then I was a link between them, if it became an issue or anything. But they did work fairly independent of the Gaming and Wagering Commission.

15

MR FEUTRILL: Sorry, Mr Sargeant, I didn't mean to attribute to a particular organisation to you. Whichever hat you were wearing, you were the representative of either the Department or the GWC on that Committee?

20

MR SARGEANT: Yes.

MR FEUTRILL: About what period of time are we talking about?

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MR SARGEANT: Would have been from its inception through to 2015, 2016.

MR FEUTRILL: A little earlier I think you mentioned one of the reasons you wanted to involve I think it was then called Burswood Resort but for the purposes of this inquiry we are referring to it as Crown Perth.

30

MR SARGEANT: Yes.

MR FEUTRILL: Crown Perth, the Lotteries Commission, the TAB as it then was, and I think you mentioned the bookies ---

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MR SARGEANT: The bookmaker's Association, yes.

MR FEUTRILL: --- was to make them responsible in some way for the funding of the programs?

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MR SARGEANT: Yes.

MR FEUTRILL: And so how was the level of funding to be provided to the committee determined? And you can break it up into periods there were differences, but in what way was the funding worked out?

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MR SARGEANT: Well, I can't recall initially, but the vast majority of the money came from the three main gambling operators. It was targeted first of all working out how much it would cost to provide a counselling service and then to have an awareness campaign. So I can't recall the amounts that were put in individually by the various organisations but there was a genuine attempt to provide a service and then the funds would be forthcoming. The Gaming and Wagering Commission did make a contribution to that, but nowhere near the same as what the gambling operators did.

MR FEUTRILL: To the best of your recollection, were the amounts contributed by each of the organisations the same or they in some way related to the proportion of gambling services provided in the state?

MR SARGEANT: No, the three --- I think it was fairly equal, particularly between the Lotteries Commission, the Burswood Casino and the TAB. The Gaming Commission didn't contribute as much as they did.

MR FEUTRILL: Okay. So do I understand from the answer you gave to one of my earlier questions that you worked out what the budget, what the Committee needed to provide its services, and then worked out what allocations would be associated with that?

MR SARGEANT: It was a bit of trial and error in the initial years.

MR FEUTRILL: All right, and did it become a more regular process at some point in time?

MR SARGEANT: It did.

MR FEUTRILL: Was it of the kind I described, it was a budget and people contributed to that budget in some proportions?

MR SARGEANT: Correct.

MR FEUTRILL: Okay, can I ask you to now consider paragraphs 97 to 100 of your statement. In these paragraphs you've briefly set out what the functions of the PGSSC are. Can I direct your attention to paragraph 98. You've described in that paragraph what you termed the "Purpose of the PGSSC"; is that its only purpose to your knowledge?

MR SARGEANT: I think, yes. It was just about those particular, 98.1 through 98.4 was a bit more specific, but no, that's basically what they provided, from what I can recall.

MR FEUTRILL: So the 98.1 to 98.4, they are the programs that it runs?

MR SARGEANT: (Nods head). Didn't happen immediately, but over time that's

11:35AM

what's happened.

5 MR FEUTRILL: And is that it? Is that --- is that all the programs as far as you are aware it has?

10 MR SARGEANT: Actually, thinking, there was another aspect it did do, it did fund some of the research by Gambling Australia, it funded some of the Gambling Australia research. I'm pretty sure it did. But my memory is not 100 per cent in that regard.

MR FEUTRILL: Are you referring to the organisation Gambling Research Australia, or the GRA?

15 MR SARGEANT: Yes, it was a government group, funded by the Commonwealth and the States.

20 MR FEUTRILL: In what way does it promote the help services available to people affected by gambling related harm?

MR SARGEANT: It did have some awareness campaigns, and they used to have a problem gambling support services, Problem Gambling Awareness Week, I know at some stage there were radio ads. I'm not sure how many TV ads there were, but there were a number of ads put on bus shelters and things like that. In the case of the 25 TAB and the agencies for lotteries and the casino, putting signs up in the casino, in toilets, et cetera. So it was a matter of promoting this activity. And of course staff would also have been aware of the services that were available.

30 MR FEUTRILL: Is it promotion of its own services, as I say the ones referred to in 98.1, 98.2, 98.3 an 98.4 or other services?

MR SARGEANT: When you say other services, the Committee didn't run a helpline, that was come out of the eastern states. The face-to-face counselling I think 35 might have been centre care, was a successful contract there, online counselling, that was basically maintained out somewhere in Australia as well, and community awareness campaigns were conducted locally.

40 MR FEUTRILL: So do I understand correctly then, of those four programs, only the fourth one was something that the PGSSC did itself?

MR SARGEANT: Yes. Yes.

45 MR FEUTRILL: So in relation to the other three, did it contribute towards the funding of those activity?

MR SARGEANT: Sorry, yes, because if you take the counselling service, it was fully funded by --- in WA, fully funded by the Problem Gambling Support Services Committee. That was a local one. In the case of the 24-hour helpline, the online

counselling, that depended on how many people from WA were actually taking advantage of that particular service. So that was a shared one across Australia.

5 MR FEUTRILL: I see. So although the services were actually provided by a third party, the funding for it came through the PGSSC?

MR SARGEANT: The WA share, yes.

10 MR FEUTRILL: And did the PGSSC have any role to play in defining the scope of the services that would be provided? In other words, the level of counselling, the nature of the counselling that would be provided?

15 MR SARGEANT: Well, in the case of the access to online services, yes. Even in the case of the community awareness campaigns, then it would determine how much money was going to be allocated to it and then make a final decision on what sort of problem we would be undertaking.

20 MR FEUTRILL: Who were making these decisions on behalf of the PGSSC? Was that by consensus of members or by some other process?

MR SARGEANT: No, it would have been consensus of the members.

25 MR FEUTRILL: So the membership consisted of at least one government party, being yourself, at the time you remember, so representing the Department and GWC. Were there any other bodies represented on the PGSSC, to your recollection?

30 MR SARGEANT: Further on down the track in fact there was. I can't remember exactly what Department, it might have been Children and Family Services, someone who was concerned with family matters. There was another government representative which was invited to become a member of it, but I wouldn't be 100 per cent sure it was the Family Services, but it's logical that that would have been the group that nominated somebody to serve on the Committee.

35 MR FEUTRILL: It is a voluntary organisation, is it not?

MR SARGEANT: Yes.

40 MR FEUTRILL: So the people invited were the people that were participating voluntarily, essentially choose how much they are going to fund ---

MR SARGEANT: Yes.

45 MR FEUTRILL: --- and there is a consensus around how the funding is expended?

MR SARGEANT: Yes.

MR FEUTRILL: And the majority on the committee are drawn from bodies that are

providing gambling services of one kind or another; correct?

MR SARGEANT: Yes.

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MR FEUTRILL: Did you ever consider that putting those who are responsible for gambling related harm effectively in charge of how services are provided for it involved a degree of conflict of interest?

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MR SARGEANT: No, I didn't because I thought the participants there were always concerned that their products had some adverse impacts on the community and they were quite happy to contribute. And I wasn't aware, although I am currently --- I've seen there has been some decision taken with it being a subcommittee of the Gaming and Wagering Commission, but in my tenure I never considered it a subcommittee of

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the Gaming and Wagering Commission. And my concern was, as I indicated to you before, that if we did bring it in under the fold of the Gaming and Wagering Commission, there would be no guarantee that the funding would flow voluntarily from the organisation. So that's the premise on which I started the committee.

20

MR FEUTRILL: Yes, I understand that, but there is a difference obviously between how something is funded and how decisions are made about how that funding is spent. So it could be funded by those entities and yet decisions about how it is spent made by another body; correct?

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MR SARGEANT: I accept that, but it wasn't something that I took on board or considered at all during my tenure.

30

MR FEUTRILL: So it just didn't enter your mind that you might want to populate the membership with people independent of those groups that were providing gamble services?

MR SARGEANT: No, it did not.

35

MR FEUTRILL: During the period that were you a representative on the PGSSC, do you recall if it undertook any studies or surveys of the prevalence of problem gambling, or putting it differently, harm caused by gambling in Western Australia?

MR SARGEANT: No. No.

40

MR FEUTRILL: Was it something to which consideration was given, to your recollection, at any of the committee meetings of the PGSSC?

MR SARGEANT: Not that I'm aware of, no.

45

MR FEUTRILL: I think you mentioned earlier that there may have been a contribution to some research by GRA, or Gambling Research Australia. Is that the only subject of possible involvement of the PGSSC and Gambling Research that you can recall?

MR FEUTRILL: In the period during which you were a member of the PGSSC, how frequently did it meet?

5 MR SARGEANT: I can't recall. In the early years it would have been quite --- it was not monthly, that's for sure. I'd only be guessing on recollection whether it was six monthly. Maybe it was stretched out if there wasn't any issues but we would definitely meet once a year, but we would not have met monthly. I can't give you a hard and fast answer on the frequency of meetings, sorry.

10 MR FEUTRILL: All right. It obviously didn't meet terribly frequently, that might be reflective of its work. Who was responsible for monitoring how the programs it funded were being delivered?

15 MR SARGEANT: They weren't monitored, from what I can understand. The awareness campaigns may have been independently monitored but that's about the extent of it. I can't recall any evaluations being done on the services.

20 MR FEUTRILL: Okay. So is it the case then, in reality, the Committee's function really was to collect funds from effectively those involved in the gambling industry, and then allocate those funds to various groups that provided counselling services?

25 MR SARGEANT: Yes. Don't forget there were the awareness campaigns as well undertaken by ---

MR FEUTRILL: Sorry, I omitted those in my question, you are quite right. So there was the community awareness campaigns. And who undertook the actual work of performing the awareness campaigns?

30 MR SARGEANT: Well, we were fortunate that we had organisations who were very much involved in marketing, that is the casino, the TAB and the Lotteries Commission, so those people helped. And then contracts would be let to people to run the campaigns. Each of those organisations didn't run marketing for campaigns. So that was very much guided by those three organisations.

35 MR FEUTRILL: When you say "guided by those three organisations", who made decisions about the nature of the advertising campaigns that were going to be run for the purposes of the PGSSC?

40 MR SARGEANT: It would have been the Committee itself.

MR FEUTRILL: So ---

45 MR SARGEANT: Who made the decision.

MR FEUTRILL: So was there a process by which, for example, the proposed advertising material, campaign materials would be brought to the PGSSC for

consideration and approval?

MR SARGEANT: Yes.

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MR FEUTRILL: So it wasn't the case that it was simply delegated to one of Crown Perth or TAB or one of the other organisations to organise through its connections with the marketing companies?

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MR SARGEANT: No. To the best of my knowledge it definitely was a group decision on those matters.

MR FEUTRILL: And so do I understand then, if there was a more intense period of decision-making, you may meet more frequently than once a year?

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MR SARGEANT: Yes.

MR FEUTRILL: During the period that you were the Chairman of the GWC, were you undertaking any regular reporting to the GWC of the activities of the PGSSC?

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MR SARGEANT: No, I can't recall that. It would have been discussed at times. The main time it would have been aired itself would have been the end of the financial year and the reporting mechanisms, because the amount of money the Committee had was reflected within the financials of the GWC and it was also included in a section in the GWC's annual report.

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MR FEUTRILL: So the GWC, not the Department, provided the funding to the PGSSC; correct?

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MR SARGEANT: Correct.

MR FEUTRILL: And ---

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MR SARGEANT: Sorry, I recall it was. If it had been provided by the Department, then the Department would have had to recoup for it, so I presume it would have gone direct to the GWC. I can't recall. One way or the other, the GWC would have funded it.

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MR FEUTRILL: All right. Given the GWC was funding a contribution to the PGSSC, do you consider its members may have had an interest in knowing how its funds were being spent?

45

MR SARGEANT: It could have done, but it never expressed any great desire to do that, given that majority of funds came from the gambling participants. It was never raised with me as an issue during my term there.

MR FEUTRILL: You were the Chair of the GWC?

11:48AM

MR SARGEANT: Yes, yes.

MR FEUTRILL: You had responsibility for preparation of its papers?

5

MR SARGEANT: Mm.

MR FEUTRILL: It was within your power, wasn't it, to bring it to the attention of the GWC members?

10

MR SARGEANT: It would have been, but, as I said, it wasn't a matter which I put the priority on and there was reference to it in the annual reports and discussion, but it is quite possible it could have been made a much more formal approach but the fact that the services were being provided and the Gaming and Wagering Commission people were aware services were being provided, it wasn't raised as an issue with me.

15

MR FEUTRILL: All right. There is a more formal process now though, is there not?

20

MR SARGEANT: I think it's only just happened though, only very recently.

MR FEUTRILL: Quite recently. So quite recently the GWC resolved to have reports of the activities of the PGSSC brought to its attention?

25

MR SARGEANT: I understand that there has been some advice to say this is a subcommittee of them and, therefore, I think they will take more ownership of it. A formal process to nominate somebody to sit on that particular committee. There is only one person who has been nominated at this stage.

30

MR FEUTRILL: All right. Do I understand a couple of things: one, in your statement you said that at least in your mind you never considered the PGSSC to be a subcommittee of the GWC?

35

MR SARGEANT: Correct, yes, that's my (inaudible).

MR FEUTRILL: Is it the case more recently that the GWC received advice that it may in fact be de facto or de jure a subcommittee of the GWC?

40

MR SARGEANT: I haven't got that advice firsthand. I've only heard some reference to the fact that there has been advice got. I'm no longer a member of the Commission so I don't know what the advice is.

45

MR FEUTRILL: It wasn't advice --- I'm not asking you to tell me if you got legal advice, but it wasn't advice you received when you were a member of the GWC?

MR SARGEANT: Correct.

MR FEUTRILL: But whilst you were a member of the GWC, a decision was made

to have reports from the member representative brought to the attention of the GWC; correct?

5 MR SARGEANT: At one of my last meetings I think that was the intention to happen, yes.

MR FEUTRILL: Aside from the contributions made by the GWC, is there any government funding made available to the PGSSC to your knowledge while you
10 were a member?

MR SARGEANT: Not while I was a member, no.

MR FEUTRILL: So is the Government contribution to the PGSSC really whatever
15 the GWC allocates?

MR SARGEANT: Correct. Sorry (inaudible) the resource the Department provides in supporting it. The secretarial work was undertaken by the Department.

20 MR FEUTRILL: And what was that? Remind me what the Department was doing?

MR SARGEANT: Well, someone had to provide the executive support, minutes, et cetera, and process payments, et cetera. There was no charge made to the Committee for that. That was provided by the Department.

25 MR FEUTRILL: Can I call up GWC.0002.0016.0007, which is an agenda of the GWC. Apparently it is subject to an NPO and so is restricted and not for the public. And the page --- the pinpoint page is an agenda item, 4.2, which is on page _0015. I'm not 100 per cent sure this is subject to a non-publication order.

30 COMMISSIONER JENKINS: Sometimes these agenda are subject to a full application for non-publication because there are other agenda papers ---

MR FEUTRILL: I see.

35 COMMISSIONER JENKINS: --- which include personal information.

MR FEUTRILL: I will try and deal with this without disclosing the contents of this paper but it doesn't seem to me ---

40 COMMISSIONER JENKINS: I doubt there is much in this paper that is of concern, but see how you go, Mr Feutrill.

MR FEUTRILL: If we could draw your attention to the recommendation on the first
45 page there, which is a recommendation for an approval of an expansion of the casino and including introduction of fully automated table games, or FATGs and increasing the number of EGMs to 2,000. On the following page, 0016, there is a heading "increase in EGMs/Table Games" and a reference to an impact assessment to the

agenda paper.

MR SARGEANT: That was done by Mr Beecroft, I think.

5

MR FEUTRILL: The agenda paper or the assessment?

MR SARGEANT: I think he did both.

10 MR FEUTRILL: I want to ask you if you recall this proposal. I am not going to ask you to remember every specific detail, Mr Sargeant, but whether you have a recollection of this proposal for the expansion of the Burswood Casino, as it was then known, and the increase in the number of EGMs and the introduction of FATGs?

15 MR SARGEANT: Look, I broadly remember the increase in machines, et cetera, but this would have been supported by impact assessment from Mr Beecroft, which is referred to as attachment 2.

20 MR FEUTRILL: So if we could move, operator, to that attachment, which starts on page _0038, and that's just the front page of it. I take it, Mr Sargeant, you did receive this document in about the time it was prepared in August 2010?

MR SARGEANT: It would have been prepared around then for this particular decision of the Commission.

25

MR FEUTRILL: And you are familiar with its contents?

30 MR SARGEANT: Look, I can't recall but it would have been looking at the problem gambling or the prevalence of gambling. I should imagine it would have even referred to the Australian gambling statistics which reflected WA's growth or otherwise of gambling, those sorts of matters would have been discussed I expect in that paper.

35 MR FEUTRILL: Okay. I am going to ask if you could read two pages of this impact assessment before I ask you some questions. If we could navigate to _0045 and there is a section commencing "Harm Minimisation". It alluded to Productivity Commission statistics and if, when you are ready, if you could then ask the operator to move you to 0046 and I want you to read until the end of the first paragraph on the following page.

40

MR SARGEANT: Can you scroll down the page if you want me to read it, please. Scroll down again, please. Next page, please. I'm not aware they proceeded with that. I'm not aware they proceeded with the awareness campaign.

45 MR FEUTRILL: Are you referring to the beginning of that page?

MR SARGEANT: Yes.

MR FEUTRILL: Just wait, Mr Sargeant, I have questions for you following on from this. There is one more reference. You can skip over the section dealing with problem gambling and move to the top of the following page on 0047. There are two paragraphs there I want to draw your attention to as well.

MR SARGEANT: Okay.

MR FEUTRILL: Was it your understanding in August 2010 that the Government intended to make some funds available for problem gambling in Western Australia in connection with the proposal to expand the Burswood Casino?

MR SARGEANT: It did, but if I remember correctly, it was involving providing grants to organisations or to community groups as distinct from (inaudible) so I can't recall whether PGSSC got any of that.

MR FEUTRILL: Well, that's my question, Mr Sargeant. Was it your understanding that the Government had allocated in effect a one-off payment of 2 million, plus an annual amount of 500,000, to be shared between the PGSSC and the Department of Community Services?

MR SARGEANT: I can remember the Department of Community Services, but I can't recall the PGSSC getting any of that. But I could stand corrected on that.

MR FEUTRILL: Well, the question really is whether it was your understanding in 2010 when the committee, that's to say the GWC, was considering whether to approve this proposal, you and the other members understood, as one of the factors to be taken into account in whether considering to approve it or not, that the PGSSC was to receive funding of a particular nature dealing with problem gambling?

MR SARGEANT: No, I accept the statement in there, I'm just saying I can't recall whether that actually did transpire into money going to the PGSSC. I just can't recall.

MR FEUTRILL: Well, in paragraph, I think it is 22 of your witness statement you have indicated that the Department received funds.

MR SARGEANT: My recollection, the money came into the Department, and we were actually acting as bankers. You can see that the money was to be distributed, and it was sent to the Department of Community Services. I thought it was the Department of Family and Children Services to my mind, but that is not correct. I remember Department of Community Services created a group to assess the grants from various organisations that had some issues to do with problem gambling. That is my memory of those funds.

MR FEUTRILL: Is this an arrangement between yourself as the Director-General of the Department and the CEO of the other Department?

MR SARGEANT: I don't think it was an arrangement, I had an understanding that the money was coming in. It wasn't expended by the Department of Racing, Gaming and Liquor on particular activities (inaudible) it became an issue with financial
5 counsellors, but prior to that it was distributed on the recommendations of a group, the committee, as I said, it was one of the departments. I initially thought it was the Department of Family and Children Services but according to that document, what's that. Local Government and Community Services, I think. In those days it was
10 community services. I cannot recall if any of that money ultimately flowed to the PGSSC. I might have, but I can't recall.

MR FEUTRILL: Right, just so I understand this, the money was appropriated and allocated to the Department?

15 MR SARGEANT: To the best of my knowledge it was, because we handed over quite a reasonable sum of money to the Department of Local Government and Communities.

MR FEUTRILL: Mr Sargeant, I'm sorry, I've just been handed a note, I remember
20 this happened last time you were giving evidence. You have a tendency ---

MR SARGEANT: Slow.

MR FEUTRILL: You started out very well today, Mr Sargeant. You may look at
25 that note a bit more frequently as the day wears on. So there was, if I understand what you said correctly, the funds were in fact appropriated and allocated to the Department in the first instance, and then a group or a committee decided how those funds would be spent, not for the purposes of the Department itself but in connection
30 with other activities?

MR SARGEANT: Which had to associate with submission of problem gambling. It was not for the Department to expend on its own resources.

MR FEUTRILL: Yes. Now who made the decisions about the way in which those
35 funds will be allocated?

MR SARGEANT: The Department of Community Services, if that's what it was called, was the department that was basically charged with determining the priorities for it. It wasn't something that I as Director-General did.
40

MR FEUTRILL: All right. Would it be fair to say that at least at the time that the members of the GWC were considering whether to approve the use of FATGs and the increase in the number of EGMs, they were encouraging to think that a fairly large proportion of that funding would end up with the PGSSC?
45

MR SARGEANT: I wouldn't agree there's a large proportion, but based on that agenda paper there would have been an expectation that it would have been ended up

at PGSSC, yes.

5 MR FEUTRILL: And you've mentioned a few times I think, I can't remember the name of the department, the community services related department allocating the funds, is that a reference to something referred to as the beyond gambling grants program?

10 MR SARGEANT: It does ring a bell but I can't say for definite that is what it was called.

MR FEUTRILL: This might help to refresh your memory, Mr Sargeant, so we can --
-

15 MR SARGEANT: Which Department is that?

MR FEUTRILL: The Department of Racing, Gaming and Liquor.

20 MR SARGEANT: In our report, was it?

MR FEUTRILL: Yes. The reference is PUB.0004.0006.0167. Is this the one I got wrong? Operator, if we could move to page 0210.

25 MR SARGEANT: That is summarising the program in where some of the grants went; that is correct?

30 MR FEUTRILL: There is a reference to the program and the financial statements a little later on indicate where the money went but for the present purposes I'm just understanding the process by which these funds were allocated and whether any of them had anything to do with the PGSSC at all.

35 MR SARGEANT: I can't recall whether some did flow back there. It may have done. But asking me now, I would have said no but I could stand corrected on that. I knew there were a number of grants provided, and there is a program that was run (inaudible) by the Department of Communities who made recommendations.

MR FEUTRILL: Okay.

40 MR SARGEANT: But I can't for sure say that any money flowing to the Problem Gambling Support Services Committee, but it may have. It may have.

MR FEUTRILL: Was the PGSSC in any way involved with the Beyond Gambling Grants Program itself?

45 MR SARGEANT: No, no it wasn't involved in making a decision on those grants but I'm not sure how much of the money it did receive, if any. I can't recall.

MR FEUTRILL: In paragraphs 24 and 25 you dealt with a slightly different topic,

which is events in 2015 in connection with where the funds, what the funds were used for, effectively. Do I understand, from what you've said in these paragraphs, that the process we've just been through where there was an allocation by the
5 Department of Community Services of the funding came to an end in 2015 and a different arrangement was reached with respect to how the funds would be utilised?

MR SARGEANT: That's correct, yes.

10 MR FEUTRILL: And that was the subject of the MOU that is referred to in the topic and in your evidence there?

MR SARGEANT: Can I just say looking at that evidence, where it says Department of Family and Children Services maybe it should read Department of Communities, but I can't recall which it were, so if that's wrong, it would be the Department of
15 Communities rather than the Department of Family and Children Services.

MR FEUTRILL: Do I understand this correctly, that although the funds initially were earmarked for provision of services in connection with gambling-related harm, they were diverted in 2015 towards financial counselling services which you
20 understood or appreciated would have a knock-on or an associated benefit because many of the people requiring financial counselling services were also connected to harm from gambling?

25 MR SARGEANT: For me those people were the point of call. So it made sense to continue that service.

MR FEUTRILL: I may have made too much of it but that's what I understand by the second sentence in paragraph 24 of your statement.
30

MR SARGEANT: That was my understanding in talking to the other departments they recognise that it was a worthwhile activity for the Government to continue funding.

35 MR FEUTRILL: Whilst you were the Chairman of the GWC, to the best of your recollection was there any reporting to the members of the GWC on the allocation of the funding referred to in the impact assessment, and the decision-making for that?

MR SARGEANT: I can't recall if that happened. No, I can't recall that it happened. Whether it was a verbal report, I can't comment at this stage. I know something was
40 discussed with the Minister.

MR FEUTRILL: Mr Sargeant, I want to return to a topic which we covered to some extent in May, just to make sure that this Commission understands the full breadth of the information you can provide to assist its inquiry.
45

You gave some evidence in your earlier statement at that time about the extent to which you became educated during your time as the Chairman of the GWC and as

the Director-General of the Department with respect to casino gaming operations, and I understand we traversed a fair bit of ground, but to understand that you would accept the proposition that casinos by their nature are vulnerable to criminal infiltration by various means?

MR SARGEANT: Well, the degree of vulnerability, yes. Yes.

MR FEUTRILL: And talking about vulnerabilities, money laundering is one possible vulnerability?

MR SARGEANT: Yes.

MR FEUTRILL: I think you gave evidence last time that you, from time to time, attended conferences of other regulators who are involved in the regulation of casinos in Australia and possibly overseas?

MR SARGEANT: Yes.

MR FEUTRILL: In the course of your tenure, did you also inform yourself by reference to literature from bodies interested in casino regulation?

MR SARGEANT: I don't recall specifically seeking it. It may have had some reference at the times, but it wasn't something that I pursued. I relied to some extent on some of my policy people to keep an eye on those things and bring things to my attention.

MR FEUTRILL: Was there an expectation that through --- I'm not suggesting that you yourself scan every library looking for material, but was there an expectation that your policy people would bring to your attention relevant material as and when it was published that may have a bearing on the functions on you as Director-General or as chair of the GWC?

MR SARGEANT: I would expect that to have happened, yes.

MR FEUTRILL: In your tenure did you become familiar with an organisation referred to as the Financial Action Task Force, or FAFT?

MR SARGEANT: No, I don't recall that group, no.

MR FEUTRILL: Can I ask if you were familiar with that document in any event? The reference is INQ.130.001.2034. You may need to see more the document, Mr Sargeant, but is that a document you have seen before?

MR SARGEANT: No, it's not. What year was it produced?

MR FEUTRILL: It is dated March 2009?

MR SARGEANT: There it is there, yes. No, I don't recall seeing that document.

5 MR FEUTRILL: Can I ask, nonetheless, if we could scroll to point 2058. I asked you a very broad question earlier about vulnerabilities, but can I draw your attention to paragraphs 86 and 87 and ask if you agree with those statements?

COMMISSIONER JENKINS: Scroll down, please.

10 MR SARGEANT: I can see the fact that they are handing so much money there, yes, I can see that.

MR FEUTRILL: The question really is would you accept those statements as an accurate summary of vulnerabilities of casinos to ---

15 MR SARGEANT: Yes, I would accept that.

MR FEUTRILL: Can I ask if you could also navigate to 2059, paragraphs 94, 95 through to the following page at the end of paragraph 98 and again ask you if you agree with what is said in those paragraphs.

MR SARGEANT: I wouldn't agree with that comment, within Australia:

25 Organised crime groups seek to control or own casinos or aspects of casino operations.

MR FEUTRILL: All right. Would you agree with the next sentence "criminals attempt to infiltrate"?

30 MR SARGEANT: I'm not aware that (inaudible) influence casinos, I think particularly the Western Australian casino had very good management people in control of those organisations at the board levels and some very, very prominent business people. I don't necessarily accept that they were going to infiltrate the casino from that point of view.

35 MR FEUTRILL: Sorry, Mr Sargeant, it's not a question of whether they were in fact infiltrated, it's a question of whether you accept that criminals attempt to infiltrate. In other words, it's a risk or vulnerability rather than a fact.

40 MR SARGEANT: I wouldn't accept the criminals in Australia vulnerability. I can understand through the money laundering exercise. But other than that, no, I don't think so.

45 MR FEUTRILL: So do I understand you to say that you do not accept that within Australia, criminals attempt to infiltrate or influence casinos to facilitate theft, fraud, money laundering and other crimes; is that your evidence?

MR SARGEANT: Yes, I take that view.

MR FEUTRILL: Sorry ---

5 MR SARGEANT: When you say --- I was trying to think of other activities could be attempted on a --- at a casino, but the main one would be, I would suspect, money laundering, but I don't think that is necessarily an environment where they want to come to the gaming floor area. But then you are asking me to respond now without really having time to contemplate it.

10 MR FEUTRILL: All right. Do I understand that you would accept that criminals in Australia attempt to infiltrate to influence casinos to facilitate money laundering?

15 MR SARGEANT: To influence casinos, well, see, that's the word I'm labouring on, is to infiltrate the casino per se. I can understand what has happened in relation to money laundering and what has been revealed through the Bergin Inquiry, but it's not necessarily to infiltrate or influence the boards in charge of the casinos.

20 MR FEUTRILL: I understand. Is the difficulty you are having with answering this question whether it happened in fact or whether it is a risk? What is being put to you is that criminals by their nature will make attempts to bring about, or give effect to their criminal enterprises and they will do it in many different ways. They may or may not succeed depending on how they approach it but at the very least there is a risk that criminals may attempt to infiltrate casinos and casino operators to facilitate money laundering; would you agree with that?

25 MR SARGEANT: There would be a risk, yes, I can accept that.

30 MR FEUTRILL: All right. Now, in the next paragraph do you agree that it is a "core function of all casino regulators is making certain that gaming is conducted honestly by approving the rules of the games and requiring the operator to provide a high standard of surveillance and security systems"?

MR SARGEANT: Yes.

35 MR FEUTRILL: Part of that is to ensure public confidence? The second sentence in that paragraph.

40 MR SARGEANT: In respect of criminal activities, action on the floor, activities in the casino, yes.

MR FEUTRILL: Minimise the opportunity for criminal activities and provide certainty of government revenues; yes? Do you accept that proposition?

45 MR SARGEANT: Yes.

MR FEUTRILL: You may not accept this based on what you've said earlier but 98, paragraph 98, would you accept that casinos attract other forms of criminal activity?

MR SARGEANT: I'm not sure that I had evidence of it within Western Australia. It depends on what you mean by "vice".

5 MR FEUTRILL: Drugs, prostitution --- (overspeaking) ---

MR SARGEANT: Sorry?

10 MR FEUTRILL: I think "vice" would cover things like illicit drugs and prostitution, things of that nature.

MR SARGEANT: I think that is a fair comment.

15 MR FEUTRILL: Now, you have mentioned, I think, in passing in answer to some of these questions I've been asking you a reference to, I think you used the expression "footprint" for the casino or words to that effect.

MR SARGEANT: Yes.

20 MR FEUTRILL: And I think in May in answer to some of the questions I asked you then you made reference also to Government Inspectors, one of their functions being to carry out surveillance at the Perth Casino, and I think at the time it was in and amongst their other activities as well, and if they became aware of criminal activity they would be expected to do something about it. I think, again paraphrasing, you
25 said words to the effect it wasn't something you proactively went looking for, but it was something that if it came to your attention, then you dealt with it. Is that ---

MR SARGEANT: That's a good paraphrasing, yes.

30 MR FEUTRILL: Now, coming back to activities in the footprint of the casino, would you accept that within the casino itself, and I expect you are now quite familiar with the facts surrounding the Riverbank business accounts, and it's been the subject of quite a bit of evidence in the other forums and in here, in this Commission.

35 MR SARGEANT: Sorry, I'm losing a bit of the communication. Can you repeat that and slower.

40 MR FEUTRILL: Sorry. You no doubt are familiar with the Riverbank Investments accounts, that name, their bank accounts and that there were findings in the Bergin Inquiry to the effect that Crown facilitated money laundering through those accounts?

45 MR SARGEANT: Only since about August 2019 was I familiar with the accounts and then what Bergin has said, yes.

MR FEUTRILL: I'm not asking you about bank accounts. These questions are directed to what is happening in the casino itself. Money laundering activities are

not limited to operating a bank account, are they?

5 MR SARGEANT: You mean implying like bringing cash in and things like that, is that what you are referring to?

10 MR FEUTRILL: Well, an example might be someone purchasing from a player who has won a game, a jackpot, at a higher price with cash, and taking the jackpot and cashing in at the casino cage as an example.

MR SARGEANT: Yes.

15 MR FEUTRILL: That is an activity that could happen on the floor of the casino that would be indicia of money laundering. Do you agree with that?

MR SARGEANT: I think that is a possibility, yes.

20 MR FEUTRILL: And there are other ways in which people who may want to money launder may utilise game playing as well. For example, there is something referred to as minimal play where they purchase tickets to operate an electronic gaming machine, play a few games and then cash the tickets out, for example. Do you accept that's a possible way money can be laundered in the casino?

25 MR SARGEANT: When they cash the tickets out, what do they get for that?

MR FEUTRILL: New money.

30 MR SARGEANT: But whatever you have is that --- you've won as cash to demonstrate that it is money laundering.

35 MR FEUTRILL: So you take cash into the casino, purchase tickets in several amounts under the threshold reporting, play a minimal amount of games, and then cash out the ticket and then receive what appears to be money from the casino for cashing out the tickets.

40 MR SARGEANT: How do I have proof --- that's cash in and cash out. What do they get to prove that it was won there, because the ticket would go to the cage. So I understand that a gambler coming to take money in and getting a winner's cheque or something which shows the exact source of money where it came from. But if they bring cash in and cash out, they have to have some other documentary evidence to substantiate that, wouldn't it?

45 MR FEUTRILL: The purchase of the ticket would be one item. Purchasing of tickets below the amounts required for the threshold requirements, go to the gaming machines, play a few games, and then cash out all the tickets collectively later for a larger sum of money.

MR SARGEANT: What I'm trying to get is, what evidence does the gambler take to

prove that they won it at the casino?

MR FEUTRILL: They have the tickets.

5

MR SARGEANT: Tickets, if you are going to cash in, you've got a ticket to cash in. You have to cash something in to the casino to get the money from the cage. You have to basically hand over a ticket to get the money.

10 MR FEUTRILL: That's right.

MR SARGEANT: You don't have the ticket --- you don't retain the ticket.

15 MR FEUTRILL: Do you not accept that you can utilise ticket in, ticket out as a means of money laundering by acquiring amounts below the threshold reporting amount?

20 MR SARGEANT: From my perspective, I can understand you can acquire tickets, but the casino is not giving you any evidence to substantiate that. Given my understanding. I could have it wrong, but that's my understanding, what evidence do they get to take that they've won it.

25 MR FEUTRILL: What about collusive betting, where each players are betting on each side in order to create the appearance of betting where in reality they are simply using the game to create the appearance of betting when in fact their attention is to just circulate the money through the casino and leave with money from the cage?

30 MR SARGEANT: Again, if you want to take money from the cage, you have to take some evidence that you've actually won it. I understand what you are saying and I understand the principle if you put it on red or black you get 2:1 and one loses and the other one wins you have covered the bet, but I'm talking about sufficient evidence for someone to get something to substantiate you have won the money.

35 MR FEUTRILL: Would they not cash the chips in?

MR SARGEANT: Yes, but what do they give them back in return?

MR FEUTRILL: A cheque, or money --

40 MR SARGEANT: If they ask for a cheque then the cage has to check that they've actually gambled it. That is where the criteria is that they have sufficient evidence to show that they had actually won that money. I understand what you are saying.

45 MR FEUTRILL: But if they have been gambling at a table, collusively, and one wins, one loses, one walks out with a large cheque and one walks out with nothing, they've achieved the purpose of making it appear to be winnings, have they not?

MR SARGEANT: That assumes one loses all the time. But you might find the

chances of an even bet means they could be winning and losing at the same time. So it may not work out exactly as it is. But I can understand what you are saying, and if one could get evidence to that effect then --- if one could get evidence to show that they won it at the casino, I understand that your principle, I'm questioning the practicalities, that's all.

MR FEUTRILL: Okay, so whether you can gather the evidence is one question, but it is a mechanism by which betting at the casino, gaming at the casino can be utilised by those wishing to utilise it for money laundering, to launder the proceeds of crime. Correct?

MR SARGEANT: Yes, there would be attractiveness to do that, I can accept that.

MR FEUTRILL: And again that doesn't involve the need to analyse any bank account details, it just needs someone to observe behaviour on the casino floor. I would like you to clarify some of the evidence you gave in May regarding the number of inspectors on the casino floor. At the time when you commenced as Director-General of the Department ---

MR SARGEANT: I lost you, I'm afraid. Can you repeat that.

MR FEUTRILL: Sorry. At the time that you commenced as Director-General of the Department ---

MR SARGEANT: Yes.

MR FEUTRILL: --- in 1992, or thereabouts, and chairman of the GWC, at that time there were Government Inspectors at the Perth Casino 24 hours a day, seven days a week, were there not?

MR SARGEANT: Correct.

MR FEUTRILL: I think you gave evidence to the effect that at some point in time, around 2000, 2002, there was a reduction in time spent to less than 24 hours ---

MR SARGEANT: Yes, correct.

MR FEUTRILL: --- and a reduction in inspectors going to the casino. I think you also said that was a fairly significant decision, that is to say, to go from 24 hours 7 days a week to something less and you thought there would be some record of that in the GWC minutes or meetings. What I would like to understand, if you are able to provide this information to the Commission, was, what was the rationale in the period 2000 or 2002 or whenever it was, from moving away from a 24 hours, 7 days a week presence to something less?

MR SARGEANT: From what I recall, the staff we had were looking more at the risk-based audits, and from the outset, with the casino being established, a number of

the inspectors were actually embedded in their processes which wasn't absolutely essential to have. You can cover that through internal controls and also through surveillance. The classic one would be the inspector having to accompany the clearance of dropboxes. That didn't add anything and in terms of things like sitting in the cash count didn't add anything. So there were certain activities which were looked at to see how important it was that inspectors be omitted in those processes. That is my recollection of the sort of things that were done.

10 MR FEUTRILL: All right. So is it your evidence that to the best of your recollection there was a shift towards a more risk-based approach to the inspections? You mentioned also in your answer you referred to covering it with surveillance. What do you mean by that?

15 MR SARGEANT: Well, the casino itself has extensive surveillance and from the opening of the casino it relied very much on very limited camera surveillance, and we had catwalks where people and inspectors walked around in the ceiling area. Now they --- by 2002 catwalks were not used. They were a health hazard for smoke and dust, et cetera. But the surveillance capacity of the casinos had improved dramatically to enable reliance on the surveillance from that. And things like the dropbox clearance was a very important part where the surveillance could cover that.

MR FEUTRILL: You are making a reference to surveillance at the casino. Does that mean to say the CCTV system of the casino operator?

25 MR SARGEANT: That's correct.

MR FEUTRILL: The Department doesn't have its own surveillance system, electronic surveillance system installed at the casino, does it?

30 MR SARGEANT: It never has, but it does have access to the cameras.

MR FEUTRILL: How does it have access the cameras?

35 MR SARGEANT: They have a dedicated control desk area which can --- to access the cameras. I can't remember the detail but they've always had access to the cameras.

MR FEUTRILL: So departmental officers have a dedicated area of access to the cameras at the casino, is that ---

MR SARGEANT: As part of their office, yes.

MR FEUTRILL: Was their office shared with the casino operator or was it ---

45 MR SARGEANT: No, no, no.

MR FEUTRILL: So it was an independent dedicated office for departmental

12:39PM

officers?

5 MR SARGEANT: It was, and there still is one there, a dedicated office there for the officers.

10 MR FEUTRILL: So, in terms of surveillance then of the casino operations, is it the case from the point of which this technology was installed, a Government Inspector could, if they so wished, view the surveillance in real-time, 24 hours a day, 7 days a week?

MR SARGEANT: They could.

15 MR FEUTRILL: And in so doing, by means of the technology they would achieve the same outcome as the catwalks intended to achieve in the earlier period; correct?

MR SARGEANT: I suggest it would be better because the cameras with the zoom lenses could pick up more detail.

20 MR FEUTRILL: All right. So is a better form of technology available? Is a dedicated area where it can be utilised, is it to the best of your knowledge utilised by Government Inspectors in that way, as I say, watching, surveying what is occurring at the casino ---

25 MR SARGEANT: I understand so, even today, there was an opportunity if they --- part of the audit program was to do things. It could be, do a surveillance through the cameras.

30 MR FEUTRILL: Does the Department, to the best of your knowledge, have the ability to record or review tapes from earlier periods in the day?

MR SARGEANT: No, they would have relied on recordings which the casino maintained because it has to maintain recordings of all the cameras.

35 MR FEUTRILL: So the casino maintains recordings to which the Department has access ---

MR SARGEANT: That's correct.

40 MR FEUTRILL: Coming back to 2002, if one of the reasons for reducing 24 hours a day, 7 days a week was associated to the risk-based audit, that doesn't apply to surveillance, surely? 24 hours a day, 7 days a week surveillance could be maintained with technology.

45 MR SARGEANT: I don't quite understand what you mean. The cameras and backups for the tapes would be different now, but the recordings are available to be looked at if they need to, to call something up after the event or they could be looked at live. I'm not quite with you, what you are getting at.

MR FEUTRILL: What I mean to say is if a Government Inspector wants the Department itself to maintain a full surveillance presence at the Perth Casino, it could have people dedicated sitting in the control room seven days a week, 24-hours, watching the cameras in real-time.

MR SARGEANT: In theory it could be, whether that is a priority you would assign to using your inspectorial services.

MR FEUTRILL: I'm dealing with the could, not whether they do. They would also have the ability, would they not, to watch what is happening on the casino floor and in so doing make observations about the behaviour of patrons?

MR SARGEANT: They could do, yes.

MR FEUTRILL: So in terms of making observations of suspicious activities of patrons that might be indicia of criminal activity, with 24-hours a day, seven surveillance the Government Inspectors could actually undertake that task, could they not?

MR SARGEANT: They could if they were assigned to that particular activity. Yes, they could.

MR FEUTRILL: That doesn't require any sophisticated analyse of bank account details, does it?

MR SARGEANT: No, it doesn't, no.

MR FEUTRILL: I want to come to 2015 and the decision to reduce the presence and understand some of the reasons behind it if you don't mind. Can I ask that we call up GWC.0002.0016.0155. The pinpoint reference is _0017. Mr Sargeant, I think you may have referred to this in your statement so I take it you have refamiliarised yourself with this agenda paper.

MR SARGEANT: I'm broadly familiar with it.

MR FEUTRILL: So can I ask you to --- if you look at the bottom of the page, 0017 and the top of 0018, and just read that, and if you don't mind confirming that it is an accurate summary of the position before 2015.

MR SARGEANT: Yes, okay.

MR FEUTRILL: So as of 2015 the position was that there were two shifts ---

MR SARGEANT: Yes.

MR FEUTRILL: --- in total with a presence on the casino --- at the casino for 20.5

hours a day?

MR SARGEANT: That's what was happening, yes.

5

MR FEUTRILL: And that was seven days a week; is that right?

MR SARGEANT: Yes.

10 MR FEUTRILL: I think you've made reference to this in your statement, at the bottom of the following page 0018, there is a paragraph that begins "There is little doubt".

15 MR SARGEANT: That is Mr Connolly's observation, I think, about the experience with GIs.

MR FEUTRILL: Correct. And you've made specific reference to this ---

20 MR SARGEANT: I quote it, I think, in my evidence.

MR FEUTRILL: Yes, you did.

25 MR SARGEANT: I'm unaware of anything more than that that is coming up. Mr Connolly would have been far better placed than me to experience that.

MR FEUTRILL: I'm just going to ask you some questions, Mr Sargeant, because this is promoted as a reason for reducing the number of inspectors, isn't it?

30 MR SARGEANT: It was one of the reasons. He basically --- I couldn't in any way have any other evidence to say, but the vast, vast, vast majority of the work was planned and --- was planned activity, rather than reactive activity. And I wasn't aware of anything which was contrary to that.

35 MR FEUTRILL: But it is also the absence of proactive activity resulting in any discoveries of anything suspicious or untoward at the casino; correct?

MR SARGEANT: Yes.

40 MR FEUTRILL: Now, is a possible reason, for example, for the absence of identifying suspicious activities, is it possible that the presence of a dedicated extensive, as in 20.5 hours a day presence of Government Inspectors, acted as a deterrent to those who would otherwise wish to carry out criminal activities at the casino?

45 MR SARGEANT: That's assuming that they are aware that inspectors are doing that work, but I think people are aware that casinos, one thing they do have is extensive surveillance, camera activity, available and I'm not sure how much they would actually go to that sort of venue for that activity given the surveillance material that is

available.

5 MR FEUTRILL: Is it also possible that the presence of Government Inspectors would encourage the casino operator itself to carry out its surveillance activities more assiduously, more carefully, knowing that there is someone else there watching?

10 MR SARGEANT: I wouldn't necessarily agree with that. Would you agree it is a possibility as a matter of human behaviour?

15 MR SARGEANT: There is always a possibility, but some of the professionalism of the people that work in there, the man in charge of surveillance I knew for many years, he was a very professional operator, he was very proud of the work they did, yes. But I will put it down as a possibility, yes.

20 MR FEUTRILL: Would you agree with the proposition that reducing the number of shifts in around 2002 diminished the ability of the Government Inspectors to carry out surveillance on the casino footprint?

25 MR SARGEANT: I don't think so, because of the (inaudible) that weren't going to be there in the early hours of the morning, and I think people could still --- inspectors I should say could still maintain a level of surveillance which wasn't diminished by going from 24 down to 20.5. A lot of the work that was taken away was not having to be embedded in various activities that were internal control matters. I can understand why it came in in place because, people had to have confidence in casinos from day one and the way to do that was have the presence of casino inspectors side-by-side.

30 MR FEUTRILL: To your knowledge, to what extent were the Government inspectors undertaking the surveillance function before 2015?

MR SARGEANT: I can't answer that. I don't know.

35 MR FEUTRILL: So it is possible, isn't it, that if they were not actively looking they wouldn't find?

40 MR SARGEANT: It's a possibility, yes I agree with that, but I'm not sure how much they were put there. If you can assign an inspector to do that task, but how diligent they are depends on their attitude towards the work. It's not the most challenging of work to sit there. But I accept that is a possibility, yes.

45 MR FEUTRILL: All I'm putting to you, Mr Sargeant, is there are a number of possible other explanations for the absence of any records that proactively discovered criminal activity, that indicate that the presence of Government Inspectors either is a positive thing or neutral in the sense that if they are not looking they are not going to find anything.

MR SARGEANT: If they are not looking, yes, you won't find. I agree.

MR FEUTRILL: Would you agree that the absence of detection of criminal activity by Government Inspectors is not evidence that there is not in fact criminal activity taking place?

5

MR SARGEANT: Yes, yes, I can accept that.

MR FEUTRILL: Can I ask you, there is a reference to a move to a risk-based approach in Mr Connolly's paper. How was the risk-based approach applied to the risk of criminal activity on the casino footprint?

10

MR SARGEANT: I can't answer that. I don't know. I wasn't that much involved in that activity. I had some briefings from very early many years ago but I don't know how that would have been addressed. I can't answer that.

15

MR FEUTRILL: Well, a decision was made to reduce the number of inspectors and the time that they were spending at the casino. The rationale, at least in part, was because the Department was moving to a risk-based approach. So what assessment was done, to your knowledge, of the risk in 2015 in order to inform the approach?

20

MR SARGEANT: I can't recall. I can't recall that.

MR FEUTRILL: You can't recall or was no risk assessment undertaken?

MR SARGEANT: There may not have been a risk assessment undertaken. I can't recall. There may not have been a risk assessment done. I know that we were very much focused on the risk assessment of playing of games and the activities within the casino about the confidence in the games per se, that was very much a priority. As for the risk of criminality and we are talking about, I can't recall if anything was done, it may not have been done, in that regard.

30

MR FEUTRILL: If you hadn't undertaken an assessment of the risk, how can you be sure or have any knowledge that your approach to regulating it is appropriate?

MR SARGEANT: The assessment was being done in terms of the games that were being played and the activities there in relation to the games. It wasn't anything to do with the criminal activity. It was a very mature product that we were dealing with. The activities were such that it was quite well-known what the risks were around those activities. As I said, I don't recall and I don't think there would have been anything done in relation to the criminality aspect of the casino floor footprint.

40

MR FEUTRILL: So what informed the decision to reduce the degree of surveillance in 2015?

MR SARGEANT: The decision was coming through with Mr Connolly as the Chief Casino Officer. I was aware of the broad processes under which they had had all of the audits done, they created the charts of all the findings, they had a Compliance

45

Committee that looked at the outcomes, had all the processes and basically documented, they keep control, it was documented, and they made those assessments regarding those aspects of the activities on the gaming floor area. All I say is that
5 that was something which very much Mr Connolly's crew were basically assigned the main responsibility for it and I relied very much on their product professionalism and knowledge of casino gaming.

10 Mr Connolly, like Mr Egan, were two people who had firsthand knowledge and very good knowledge of regulating them and activities on the casino footprint.

MR FEUTRILL: Mr Sargeant, you are going to have to slow down a little bit. You ran away a little bit in that answer. Do I understand from that answer that you relied, the substance of it is that you relied on Mr Connolly?
15

MR SARGEANT: Oh, definitely.

MR FEUTRILL: And you relied on him to provide you with his assessment of the extent to which there were risks associated with reduction in the surveillance of the
20 Perth Casino?

MR SARGEANT: Yes.

MR FEUTRILL: Did you have discussions with Mr Connolly before this paper was prepared about the proposal to reduce the number of inspectors?
25

MR SARGEANT: There was an earlier paper I think. That was the August meeting, I understand, wasn't it? So there was another paper that came to the Commission earlier in the year about the principles of regulating a casino. So I was aware of that
30 sort of philosophy.

MR FEUTRILL: Yes, but that philosophy was not Mr Connolly's philosophy alone was it?

35 MR SARGEANT: No, but ultimately it was one that he was endorsing.

MR FEUTRILL: And that philosophy was developed in conjunction with you?

MR SARGEANT: No, no, it wouldn't have been very much in conjunction with me
40 directly.

MR FEUTRILL: You were not involved in the development of the departmental policy in relation to what is referred to as the compliance strategy; that was not something you were involved?
45

MR SARGEANT: When you say "involved", I would have been briefed on it but the day-to-day development of those particular strategies I left very much with the crew that was involved in it, there was an inspectorate to work that through.

MR FEUTRILL: Leaving aside the day-to-day, the ultimate decision to endorse that policy as a policy of the Department was yours, wasn't it?

5 MR SARGEANT: Oh, yes, yes, I accept that.

MR FEUTRILL: And to make that decision you would have had to have informed yourself of the reasons for that policy; no?

10 MR SARGEANT: Well, I think I established myself to a level where I had confidence in what Mr Connolly was proposing, yes.

MR FEUTRILL: Would this be a convenient time?

15 COMMISSIONER JENKINS: Yes, thank you, Mr Feutrill.

Mr Sargeant, before we break for lunch there was one matter you mentioned and before we move on I thought I would ask you about it. You referred, I thought, to someone you described as a very professional person in either security or surveillance at Perth Casino. I just wanted the name of that person?

20 MR SARGEANT: I think it might have been Mr Hughes. I don't know --- he's retired now. He was the person who was in charge of the security area out at Crown. It would have been Burswood then and it became Crown. Mr Hughes I think it is but I couldn't categorically state that that is his name.

25 COMMISSIONER JENKINS: Thank you, Mr Sargeant.

We will now adjourn for lunch until 2 pm. Thank you. If you could be back in time to recommence at 4 pm your time. Thank you, Mr Sargeant. We will now adjourn.

ADJOURNED

[1.00PM]

35

RESUMED

[2.00PM]

40 COMMISSIONER JENKINS: Please take a seat.

Thank you, Mr Sargeant, can you hear and see us?

MR SARGEANT: Yes, I can, thank you.

45 COMMISSIONER JENKINS: Mr Feutrill.

MR FEUTRILL: May it please the Commission.

Mr Sargeant, have you got your statement there?

MR SARGEANT: Yes, what page?

5

MR FEUTRILL: Page 15, paragraph 36 of your most recent statement.

MR SARGEANT: Yes.

10 MR FEUTRILL: In that paragraph you've outlined a number of factors that weighed
in favour in your mind of removing the inspectorial presence in 2015. I want to ask
you some questions about each of these reasons. Looking at the first one in
paragraph 36.1, and that's about how to best use effectively the resources of the
15 Departmental Officers available for this function; correct?

MR SARGEANT: Yes.

MR FEUTRILL: And is what is driving that reason in effect that there are a finite
20 resources of the Department available to allocate to, amongst other things, regulation
of the casino and other activities of the GWC?

MR SARGEANT: Correct. Yes.

25 MR FEUTRILL: All right. Now, the next one we touched on a little before lunch,
which is the surveillance being implemented at the Perth Casino. In what way, I'm
still not sure that I understand, in what way does that necessitate a reduction in the
spectatorial presence?

30 MR SARGEANT: The only thing I can recall is the fact that the surveillance
technology is such a quality that you can always recall or recover any activity within,
in the casino. That's my understanding of it at this point. The quality and the
recording is very, very good.

35 MR FEUTRILL: So is the point being made then, you do not need to be there
watching it in real-time in order to have access to essentially the same surveillance
information that would be available if you were there watching in real-time?

MR SARGEANT: Correct, and if an inspector was to have a particular task to do
40 and relied on the technology, they could access that technology. They still had
access in their own right.

MR FEUTRILL: You mentioned earlier that the casino operator makes recordings
and holds them?

45

MR SARGEANT. Sorry, what was that?

MR FEUTRILL: You mentioned in answer to one of my questions before lunch that the casino operator kept recordings of the surveillance at the casino.

5 MR SARGEANT: Yes, we had to. Under the directions they had a time frame.

MR FEUTRILL: Do you know of your own knowledge if the departmental officers at any time have requested to review recordings?

10 MR SARGEANT: No, I couldn't answer that. That's never been brought to my attention.

MR FEUTRILL: Did you understand it to be part of the functions the inspectors would perform, that requests would be made from time to time of the recordings and they would be reviewed?
15

MR SARGEANT: Yes, I did.

MR FEUTRILL: And did that fall within the auspices of an audit function?
20

MR SARGEANT: It could be. It could be, or there might be an investigation for something that has come up that they would have to consider.

MR FEUTRILL: The next paragraph I want to ask you about is 36.3, which is a shift to a risk-based approach to regulation. Can you just explain, if you don't mind, what you mean by risk-based approach to regulation?
25

MR SARGEANT: In this case it was risk-based from the point of view of maintaining integrity of the gaming on the footprint. So you could assess the risks of something not being followed in relation to a game or some other misappropriation, that is my understanding of what was being focused. We were looking at the footprint per se, rather than the issues you were talking about with respect to criminality coming on to the floor.
30

MR FEUTRILL: I'm actually more interested in what you understand the meaning of "risk-based approach" to mean in this. You speak of a shift towards a risk-based approach to regulation. What do you?
35

MR SARGEANT: Well, it moves away from --- even more so from just having a physical presence where everything could be done, but there were some things you would not do because you assess the risk as not being very high. Even things like the seals on the gaming machines, et cetera, who controls them, the risks involved in the inspectors controlling that is minimal. Same as some of the gaming equipment which at one stage in the early days, if the casino wanted things they were actually held by the inspectors, but that shifted over time. So that's what I mean by risk-based. What is the risk of something going wrong, why can't the casino have its own internal controls to put in place that, and we can check and assess those controls. That's my understanding.
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MR FEUTRILL: All right. And when you are talking about a shift in Australian jurisdictions, are you meaning, by implication, in respect of casino regulation or regulation more generally?

5

MR SARGEANT: I mean, it would be particularly casino regulation. We weren't in the same situation as other jurisdictions in respect of gaming machines outside the casino.

10 MR FEUTRILL: Sorry, I've been asked to ask you to slow down again, Mr Sargeant.

MR SARGEANT: Okay, I will bring my slow notice.

15 MR FEUTRILL: Yes, you may need to. Was the shift in Western Australia, if I could put it that way, towards a risk-based approach a policy decision made by either the Minister or the Department?

MR SARGEANT: I would say more the Department. Definitely not the Minister, it would have been the Department.

20

MR FEUTRILL: So was there a policy-based decision-making process?

MR SARGEANT: I don't think there was a formal decision. The move from the risks had been going on over time. Even the 2002 change, and there were some changes within that period, again, so not something that just happened one day "no", one day "yes", it was a matter over time. There was a progression. It wasn't a "We're doing risk-based now." I can't say that happened in any particular instance, it was over time.

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MR FEUTRILL: There were no changes to the Act or regulations that drove the change in approach?

MR SARGEANT: No.

35

MR FEUTRILL: The last sub-paragraph you have there which is similar limits imposed by Treasury and the need to cut back on inspectors incurring penalty rates and mileage allowances, that is a financial constraint on the Department that you are referring to there, isn't it?

40

MR SARGEANT: Yes, it is.

MR FEUTRILL: Could I ask if we could go back to the paper presented to the GWC on this, which is GWC.0002.0016.0155 at _0019, and could I draw your attention to two paragraphs in this page in particular. There is the second paragraph that commences "Continuing pressures" and there is another paragraph that commences "Changes to the operating environment".

45

MR SARGEANT: Yes, they are both broader issues to do with budgeting and the constraints the Government was placing on us with respect to our budgets. It was more of a Departmental issue.

5

MR FEUTRILL: I understand that. But if you look at the first of those two paragraphs, there is a reference there to:

10 Continuing pressures relating to the allocation of scarce inspectorate *resources and in managing salary and operational budgets has meant that more changes are unavoidable.*

15 So is that a --- by saying that, given the resources essentially available to the Department, this change in the way we approach inspections at the casino is unavoidable?

20 MR SARGEANT: I would suggest the context of that changes, I don't interpret that we are going to change things even more at the casino. I do see it in the sense that we were looking at redundancy, et cetera, and that might have some changes within the Department, but I don't recall it being an issue to do with the actual programs at the casino. That's why we are talking about the operational budgets, et cetera. I see that more as a Departmental issue.

25 MR FEUTRILL: Well, what do you mean by that? I mean ---

MR SARGEANT: Like you asked before, was it a budget constraint which was imposed by the Department? We were under pressure in relation to our budgets and salary limits, et cetera. We were being micro-managed more by Treasury.

30 MR FEUTRILL: So, not to put too fine a point on it, one of the major reasons for promoting a change in the approaches to inspections at the casino was a fiscal restraint on the department?

35 MR SARGEANT: It was a constraint we envisaged coming, and we did what we could in relation to the inspectors. But changing the audit program didn't significantly save salaries in that regard. It did have some minor changes but it was part of the process to get the maximum value out of their time in doing audits across the spectrum. That is, we had not only casino, committee, gaming and liquor ones as well. We knew the environment was coming that if we didn't do something in
40 relation to our overall salary budgets, we wouldn't come within the limits. That's why I referred elsewhere and undertook redundancies. The reason we undertook the redundancies and didn't call on Treasury money was we needed our money to be able to give us flexibility not to lose staff. We could actually pull back but at the same time we could do things to maintain our function within the community both for
45 licensing and for compliance work. But the budgets of the Department was a very big factor, yes.

MR FEUTRILL: Would you agree that it was the principal reason for promoting

changes in 2015?

5 MR SARGEANT: I --- I, look, from my perspective, it was a major principle. That is a very high priority. As the head of the Department, I knew we were going to have trouble to balance our budgets.

MR FEUTRILL: All right. The GWC is a separate entity to the Department, isn't it?

10 MR SARGEANT: Yes.

MR FEUTRILL: And the GWC has the ability to request appropriations from the Government to carry out its functions?

15 MR SARGEANT: Well, I presume we could put a case, not that we ever did in my time. Could do.

20 MR FEUTRILL: So was any consideration given by you, at least, as Chairman of the GWC to, if you like, solving the budgetary constraints of the Department by requesting allocation resources to the GWC?

25 MR SARGEANT: No, because I just knew how hard it was to get money out of ERC, irrespective of the Government, or irrespective of whether the Gaming Commission or the Department. I think from many perspectives we were one in the same.

MR FEUTRILL: All right, I will have to ask you again, Mr Sargeant, to slow down.

30 You may have seen it in that way, one and the same, but if you did --- did you not consider the possibility that if you did ask for the purposes of GWC, then funding may become available if you made a case for it?

35 MR SARGEANT: It could have done, but at that time I didn't see that there was any chance of getting something. But look, it was possible to put a case.

MR FEUTRILL: I think I'm right in saying I think you left the position of Director-General in the middle of 2017?

40 MR SARGEANT: Yes.

MR FEUTRILL: You remained on the GWC as an ordinary member thereafter?

45 MR SARGEANT: What's happened was I left on 30 June and on 1 August I took up an appointment as an ordinary member of the Commission, yes.

MR FEUTRILL: Do you recall whether after 2015 there were some changes to the way in which shifts were rostered at the Perth Casino to essentially increase the amount of shifts that were undertaken by Government Inspectors at the Perth Casino?

MR SARGEANT: What time frame are you talking about there?

MR FEUTRILL: Early 2017.

5

MR SARGEANT: That would have been possible through the way in which resources were allocated but I haven't got specific recollection of that.

10 MR FEUTRILL: All right. You don't have a specific relax of there being an increase in the amount of inspectorial presence at the casino in 2017?

15 MR SARGEANT: No, but it could have been easily accommodated through a (inaudible) arrangements, there was flexibility to do that. I can recall at a briefing earlier in the year the manager, Mr Isaac Chen(?), he had a priority to make sure there was someone at the casino most of the time, whether that would have been possible to do. But on a day-to-day rostering basis, I don't think that information would have come through to the Commission. I'm not aware of it.

20 MR FEUTRILL: To the Commission or you as the Director-General?

MR SARGEANT: No, it wouldn't have come through to me as the Director-General, it was just an operational matter.

25 MR FEUTRILL: So the decision would have been made by the person in charge of the operations, Mr Radis, is that right?

30 MR SARGEANT: Mr Radis, if it was an issue he would have raised it up to his director then of course Mr Connolly, but Mr Radis would have had the ability and flexibility. There were monthly meetings where they used to talk through, I understand, the forthcoming work program. At monthly meetings they talk through the programs and there was flexibility to change things. Sometimes there might be more pressure with something and other times they could move their resources. There was flexibility. It was not rigid.

35 MR FEUTRILL: Did you mention a little earlier in response to an earlier question that you had a conversation with Mr Radis around this time?

MR SARGEANT: With who?

40 MR FEUTRILL: Mr Radis?

45 MR SARGEANT: I just mentioned that it would have been earlier this year that I can recall Mr Radis when he came in to talk to the Commission because I asked the question of him, people keep saying we took inspectors out of the casino and my understanding was we didn't take casinos out --- sorry, we didn't take inspectors out of the casino. What we did, we changed it, there was always a presence. He made the comment he tried to get as much presence as possible at the casino through the

rostering arrangements. So he had the flexibility to do that.

5 MR FEUTRILL: So you are answering in part from having reviewed his evidence or watching him give evidence to this Commission?

10 MR SARGEANT: No, it was at a meeting of the Gaming and Wagering Commission before I finished my turn. He was coming in on matters, I asked him a specific question about that.

MR FEUTRILL: All right. Do you understand from any conversations you had with Mr Radis that he was of the view that the reduction in the inspectorial presence in 2015 was detrimental to the ability of the Department to carry out its inspections?

15 MR SARGEANT: He didn't use the word "detrimental", he just said that he wanted to --- he thought it was the best interest to have a presence as much as possible. That's not inconsistent with what I would have expected. Although they weren't rostered to start there, there would still be a strong presence of inspectors out there.

20 MR FEUTRILL: In your view, if resources were not a constraint on the Department --

MR SARGEANT: Sorry, if resources were not?

25 MR FEUTRILL: If resources were not a constraint on the Department, in your view would a more effective roster of oversight involve more inspectorial presence at the Perth Casino?

30 MR SARGEANT: No, not necessarily permanent, make sure we could roster people on, probably more.

MR FEUTRILL: Let's forget the word "permanent", but a greater presence of Government Inspectors would be a desirable outcome?

35 MR SARGEANT: If it was possible, it would be desirable in some circumstances. But the crucial audit parameters were being conducted. Obviously a lot of things, the more people are doing something, probably the more comfort we had.

40 MR FEUTRILL: In the course of the last year or so, have you had an opportunity to consider any of the evidence given to the Bergin Inquiry?

MR SARGEANT: I've only read through it. I didn't go through in detail evidence provided, no.

45 MR FEUTRILL: Are you aware of any evidence that Mr Preston gave to the Bergin Inquiry concerning inspectorial presence?

MR SARGEANT: No, I can't recall that. I was very interested in what was said

about the Riverbank account more than anything else. That was my main focus.

5 MR FEUTRILL: All right. Mr Preston expressed an opinion that the presence of 24
hour a day, 7 day a week Gaming Inspectors from the regulator was a positive
control; would you agree with that?

10 MR SARGEANT: I think --- I can understand him saying that because it gave them
comfort as much as it gave other people comfort. No, I don't think you need a 24
hour, I think you work on a reduced amount as long as you had sufficient resources
going into it.

MR FEUTRILL: So is the answer "no", you don't agree with him ---

15 MR SARGEANT: No, I don't agree with him, you don't need 24 hours.

MR FEUTRILL: And why do you say --- leaving aside constraints and resources,
assume you have an adequately funded regulator, why in your view would it not be
desirable to maintain a 24 hour, 7 day a week presence of Government Inspectors at
20 the casino?

MR SARGEANT: Well, there are times when there is little activity out at the casino,
very early in the morning. There are certain things done then because of the lack of
activity, purely on the basis of what they would be doing there.

25 Now, bearing in mind that when you are rostering people on 24 hours, there is a
degree of inefficiency as the hours get by, particularly for people working on some of
the night shifts. I recall when we were looking at rosters, this was one of the
positives. A couple of our staff were ex-police officers who had experience
30 rostering, and we could have rostered at times to get a much more efficient presence,
but it would not be very good from the point of view of the health of the people. So I
don't think you needed a 24-hour presence, no.

MR FEUTRILL: What about a return to 20.5 hours then?
35

MR SARGEANT: You could return to 20.5, but I suspect the number of hours out
there, if you had inspectors out there for about 8 or 9 hours, and you had the time
covered, you would cover, for some people, 18 hours. So 20 would be okay but I
don't necessarily say you must have a particular target, it's a matter of what has been
40 ordered and what you are trying to achieve.

MR FEUTRILL: You mention that you thought maybe one of the reasons driving
Mr Preston's view was the benefit to the casino operator having a government
inspectorial presence. What is the perceived benefit to the operator?
45

MR SARGEANT: Well, the fact that it means that rather than them coming and
checking they know someone else is doing things on their behalf. So when the
casino was first opened, very much the Government Inspectors did a lot of activities

and functions with respect to the controls. Over time the Government Inspectors came out of that and the casino had to pick them up. That's all I can say. But I've never discussed that with Mr Preston.

5

MR FEUTRILL: I take it, without you knowing every clause or section of the Act, you have a degree of familiarity with the Casino Control Act and the Gaming and Wagering Commission Act and its provisions?

10 MR SARGEANT: Well, I don't know if I've still got it. My memory is not as good as it used to be.

MR FEUTRILL: I will put it in general terms. You understand that the GWC has the power to regulate the casino operator through the provisions of the Casino
15 *Control Act*?

MR SARGEANT: Yes.

MR FEUTRILL: It can give directions, for instance?
20

MR SARGEANT: It can give directions over, I think, internal controls.

MR FEUTRILL: Yes.

25 MR SARGEANT: Accounting manuals and things like that that are in the actual section of the Act. It's not a broad power, it is a narrowly defined power in which you can give directions.

MR FEUTRILL: Earlier this year you were still a member of the GWC when it gave
30 the directions concerning junket operators, premium players and privileged players; correct?

MR SARGEANT: Yes.

35 MR FEUTRILL: So it has the power, at least, to make directions who the casino operator can do business with?

MR SARGEANT: I think we might have had some advice to say the actual direction
40 we had given, it was not sure that it was actually achieved what was hoped to be achieved, but that wasn't resolved by the time I left the Commission.

MR FEUTRILL: In any case, the Commission earlier this year purported to exercise the power to control who could effectively be a patron of the Perth Casino.

45 MR SARGEANT: It doesn't stop them being a patron, it stops them coming in under a junket program. We haven't got power to stop anybody from being at the casino. We can't bar them, but you can stop them coming in as far as a junket program.

MR FEUTRILL: You can stop them being a premium player?

5 MR SARGEANT: In that sense. I'm saying the nature of which they come in, the junket premium player. The intention was you wouldn't be paying them commissions, et cetera, or in relation to their activity.

10 MR FEUTRILL: So it was to deal with a particular way in which the casino was operated as regards junkets or premium player?

MR SARGEANT: Correct.

15 MR FEUTRILL: All right. The police have the power under the Casino Control Act to ban from going on to the casino premises, don't they?

MR SARGEANT: The only two that have it is the Commissioner of Police and the licensee to the (inaudible) of the casino.

20 MR FEUTRILL: Are you aware of any instances in the time that you were the Chairman of GWC or Director-General where the Commissioner of Police, based on information provided to him by the GWC or the Department, exercised the power under section 26?

25 MR SARGEANT: No, I'm not aware that the Commissioner ever exercised the power even from his own information sources under section 26. I can't recall one instance where he or she exercised that power.

30 MR FEUTRILL: I want to return a topic we covered not in a great depth in May, but I think you've dealt with it in both your witness statements, which is the subject matter of the repeal of the junket regulations in 2010.

MR SARGEANT: Yes.

35 MR FEUTRILL: Just to put these questions into context, that occurred after Crown Perth or Burswood, as it may have been called, made a submission to you at the end of 2009?

MR SARGEANT: Yes, I recall that.

40 MR FEUTRILL: Can I just perhaps call up GWC.0002.0016.0001. This can't be displayed. It is subject to a non-publication order. And the pinpoint begins at _0337. Mr Sargeant has disappeared.

45 MR SARGEANT: Did I get lost?

MR FEUTRILL: You momentarily disappeared into the ether. Have you got the document up on screen in front of you?

MR SARGEANT: 8.2 the agenda item?

5 MR FEUTRILL: Yes. I take it you have been refamiliarised yourself, become reacquainted with this document in the last few months?

MR SARGEANT: I have. I had a particular interest in the questioning that the Commissioners made in respect to the information side, which I wasn't aware of.

10 MR FEUTRILL: Yes. Again, you were responsible for preparing the papers that went to the Commission in this period in 2010?

15 MR SARGEANT: I wouldn't use the word "responsible" but the agenda --- before the agenda went out to Commission members, I reviewed it.

MR FEUTRILL: And did you review this paper in the early part of 2010 before it went to the Commission?

20 MR SARGEANT: I would have reviewed it if it was on the agenda, yes. It would have come through.

MR FEUTRILL: Did you support the recommendation or resolution that went with it?

25 MR SARGEANT: Yes, I did, although I think the recommendation was to consider recommending. It didn't say to amend, it was to consider amending. Isn't that the recommendation?

30 MR FEUTRILL: Well, the minutes

MR SARGEANT: That --- I don't disagree the minutes state it was reprovved (inaudible) the agenda recommending that was put to the Commission to consider but I accept what minutes might read. Yeah.

35 MR FEUTRILL: All right. And the resolution was to recommend ultimately to remove that aspect of the regulations, wasn't it?

40 MR SARGEANT: The approval of the junkets only, yes. That's what the resolution was, the approval of the junkets and operators' representatives, yes.

MR FEUTRILL: You will need to juggle your first and second witness statement.

MR SARGEANT: Paragraph?

45 MR FEUTRILL: Paragraph 79. You might recall you were asked questions about something the Commission termed as the risks?

MR SARGEANT: Yes, okay.

MR FEUTRILL: At 79 they give partial reasons for why the regulations were repealed, and then in your more current witness statement at paragraph 46, you make reference again to this process. Paragraph 46 is quite brief. I just want to understand
5 if there is any more information you can provide to the Commission to assist it.

If the document is still up, there are two reasons given in the paper for considering removal of the regulations. The first was that entry of a person into Australia is overseen by in effect the Federal Government Departments controlling the border.
10 And that appears on that first page on what was being said by the casino operator. And it is quoted. And the second reason in support given was to do with Crown Perth having in place an AML/CTF program that required it to take certain steps in relation to junket operators and junket representatives. They were the two reasons given. Were those reasons the reasons you relied on to support the removal of the
15 regulations in 2010?

MR SARGEANT: They were. On the other side of it is the fact that we weren't adding value to the process because we were not able to get the police clearances on the junket operators and we were actually, if I recall, giving interim approval, which
20 we could do. Those interim approvals basically became permanent approvals because we weren't getting information from the police in regard to the probity of those individuals.

MR FEUTRILL: I understand you had a view about the effectiveness of the GWC's processes. Could I ask you to --- could I take you to page 0346 and the conclusions of the author of the paper. I would like to draw your attention to the paragraph under the heading "Conclusion".
25

MR SARGEANT: Okay, I've read that.
30

MR FEUTRILL: Do you accept that the approval process for junket process, at least prior to 2010, was to prevent criminal involvement in the junket market?

MR SARGEANT: Yes, I would accept that proposition.
35

MR FEUTRILL: Would you accept then that the GWC as the regulator of the Perth Casino has a role to play in the prevention of criminal involvement in the junket market?

MR SARGEANT: Yes, it would.
40

MR FEUTRILL: And do I understand the answer you gave me earlier is that the reason for the changes in the regulation was you were satisfied in the earlier part of 2010 that the risks were adequately catered for by the checks by federal authorities on entry into Australia and by compliance with Crown's AML/CTF program?
45

MR SARGEANT: I think there would have also been some comfort in that in those

days we had the National Crime Authority, you would always have the Australian Federal Police, of course the local police department as well who could have information about them. But fundamentally the first --- we were placing reliance on the border controls, coming into Australia, and, secondly, the procedures that at that stage I think it was still very much a Burswood decision but rather than a corporate decision it was a Burswood decision.

MR FEUTRILL: When you say Burswood decision are you making reference to the AML/CTF ---

MR SARGEANT: As to who comes in. At that stage it wasn't so much the corporate view, it was Melbourne and Perth running. There was a degree of independence between them. In the latter years it became more that the Crown Group took more control of vetting the junket people coming into Australia. That's what I understood, but it was very much more a Perth decision.

MR FEUTRILL: All right, so the second criteria there, to paraphrase what you said, was the Crown --- Burswood at the time --- the licensee's processes for approving who were able to undertake junkets in Perth ---

MR SARGEANT: Sorry, I lost you then. You may have to repeat it.

MR FEUTRILL: The second criteria was you were satisfied by the processes that --- the internal processes of the Perth Casino for approving junket operators?

MR SARGEANT: I was, based on the advice of my officers, yes. Going through the people that had prepared the paper.

MR FEUTRILL: All right. In your most recent witness statement in paragraph 49 you have indicated you have no knowledge of the Australian border protection authorities' process, really in answer to the question about what you understood their processes to be for permitting entry of foreign nationals into Australia. Is that speaking of today or 2010?

MR SARGEANT: That is more current. I might have had a briefing, but I haven't had a briefing on this for a long time, and in effect Mr Connolly, in latter years, was very much involved in these aspects of the casino operations and he was giving his advice on things to do with the money laundering, et cetera. So I would have relied very much on him and his team for this information.

MR FEUTRILL: All right. What did you understand the process to have been in 2010 for border checks?

MR SARGEANT: Honestly, I can't recall what. I would have just been briefed on it then. I can't recall.

MR FEUTRILL: The paper that went to the GWC doesn't describe the process, does

it?

5 MR SARGEANT: No, I recall having a briefing from someone, but I can't recall that now, I'm sorry.

10 MR FEUTRILL: So what information was made available to the members of the GWC in 2010 to satisfy them that the process at the border was going to prevent involvement of criminals in junket operations?

MR SARGEANT: I can't recall. I mean, I don't know what it was and I can't recall what went to the meeting. I can't recall.

15 MR FEUTRILL: You can't recall or there wasn't any?

MR SARGEANT: I can't recall either way, from that point of view. I can't recall either way.

20 MR FEUTRILL: What was your understanding of the Perth Casino internal processes that gave you the sense that they would prevent approval, if you like, junket operators who may have links to criminal activities?

25 MR SARGEANT: I can recall them bringing them in and getting the forms, et cetera, and they were using, I forget, some sort of agency. The only example I can give is like in Perth if you want to check somebody, you can go to Dun & Bradstreet to get an independent assessment of somebody's creditworthiness. I think there was an agency they were employing that had a national reputation for giving them some background on the people. That's what I can recall.

30 MR FEUTRILL: All right.

MR FEUTRILL: Did you understand their process to be one where they made their own internal decision based partly on information from third parties as to whether they would accept or approve a party to operate junkets in Perth?

35 MR SARGEANT: I understand so. And I understand that their processes were subject to their normal corporate risk management processes.

40 MR FEUTRILL: And did you understand that within that process, they could approve a person to operate junkets in Perth, even if that person was known to engage in money laundering?

45 MR SARGEANT: Well, my view would be that they shouldn't be approving people that were involved in money laundering.

MR FEUTRILL: Did you understand the process to be where they could nonetheless approve someone who had been convicted of money laundering or associated with money laundering in the past?

MR SARGEANT: It's possible that they could have done, but I think their own risk management processes would have, should have addressed that sort of issue. But, yes, I can accept that.

5

MR FEUTRILL: So was it your expectation that the internal processes of Crown Perth or Perth Casino would have been sufficiently robust to prevent approval of junket operators with associations to organised crimes?

10 MR SARGEANT: Yes.

MR FEUTRILL: And what information was provided to you by Crown Perth to satisfy you of that?

15 MR SARGEANT: At that time?

MR FEUTRILL: Yes.

MR SARGEANT: I can't recall.

20

MR FEUTRILL: Was any information provided to you by Crown Perth at that time to satisfy you?

25 MR SARGEANT: I didn't meet with Crown Perth myself. I don't recall meeting with them. It's so hard to recall that far back. I can't recall what the process was.

MR FEUTRILL: All right, did you understand at least and insofar as the border controls were concerned, if a person had a criminal record they would be excluded from entry into Australia?

30

MR SARGEANT: That was my understanding but that was the whole process of the border controls.

35 MR FEUTRILL: Now, would you accept that a person does not need to have a criminal record in order to be a criminal?

MR SARGEANT: I think I would have to accept that proposition, yes. Does not have a criminal record to be a criminal, okay.

40 MR FEUTRILL: Did you also understand that a junket operator, authorised to carry out junket operations in Perth, was able to utilise the services of a junket representative?

45 MR SARGEANT: That was normal process. So the junket representatives had to be licensed as well.

MR FEUTRILL: Yes. Now, a junket representative may not have a criminal record

and could enter Australia; correct?

MR SARGEANT: Yes.

5

MR FEUTRILL: Whereas a junket operator may have a criminal record and would be excluded from Australia?

10 MR SARGEANT: Through the processes Crown was adopting, they shouldn't be approved as a junket operator. But what you are saying is if they were they couldn't get in because of their criminal track record, they could then rely on a junket representative.

MR FEUTRILL: Correct.

15

MR SARGEANT: Yes, I can understand that, yes.

20 MR FEUTRILL: So relying on the border protection would not prevent people who were not without criminal records entering Australia and carrying out junket operations?

25 MR SARGEANT: To the same extent we weren't getting information either, which would stop --- we might have been able to stop a person getting a junket licence, but if he wanted a representative person in the same circumstance, if they didn't have --- come up with a criminal record, not that the police would necessarily providing --- the Australian police or WA police, would have to give it a national clearance with WA or Australia (inaudible) jurisdiction from which that person came from. So we were not adding value to the process because we could not get access to the information. We were licensing them, giving them what we called interim approval.

30

MR FEUTRILL: Mr Sargeant, if I could ask you again to slow down. You are going to have to slow down. You are speaking very quickly.

MR SARGEANT: Okay.

35

MR FEUTRILL: Would you accept this proposition that in effect the integrity of the junket and junket operators in Perth depending almost entirely on Crown Perth's internal controls?

40 MR SARGEANT: Yes, it did, yes.

MR FEUTRILL: The GWC has power under the Casino Control Act to give directions and to particular with respect to how they carry out their operations, including approval of junkets. Correct?

45

MR SARGEANT: They've got the power through the processes by which you would licence, et cetera, yes, we could cover that through a direction. But that's why the amendments made to the casino in the late '90s to bring it in through the Act rather

than through directions, because I think there was some concerns about whether the directions were sufficiently robust enough, so that's why the Act was amended in about '98 or '99, the relegation was promulgated which stayed in place until 2010.
5 So if we were concerned about, rather than rely on directions, we could have gone back to reintroduce regulations to control it.

MR FEUTRILL: At the time the regulations were removed, was any consideration given to adopting a procedure, or imposing a procedure on the Perth Casino that required them to carry out particular probity checks and provide that information to the GWC?
10

MR SARGEANT: I can't recall that being considered, no.

15 MR FEUTRILL: In paragraph 50 you have indicated that for a time after the repeal of the regulations, Crown Perth provided some information regarding junket operators and junket representatives to the Department. You said you can't recall what that information was.

20 Do you have any recollection of the person who was responsible for reviewing and receiving that information?

MR SARGEANT: No, I don't. It would have been part of the inspectorial program. So it wouldn't have been to a particular officer, but it eventually would have been sent into the casino from Burswood to the Hyatt where our office was. I wouldn't have expected that information to be maintained out there at the casino.
25

MR FEUTRILL: Do you understand or do you recall what the purpose of receiving information was for?
30

MR SARGEANT: Well, if we were going to be licensing them, then no doubt they would want to know who was coming in and then after that you would be able to check if you need to. For instance, if the police required it. I think when a premium player was coming in or a person was part of a junket, if they came into Australia they weren't doing anymore checks, we weren't doing anymore checks to see if their credibility, or sorry, probity as a player, so I imagine that information was being collected, but I don't know for what purpose it would have been used other than if the police were interested to know or another body, but mainly the police.
35

40 MR FEUTRILL: For example, do you know if the GWC or the Department was collecting information about the checks that Crown Perth undertaking, the decision-making process they were making to approve junkets, and the rationale for approving a particular junket operator or representative?

45 MR SARGEANT: I don't recall that being the case, no.

MR FEUTRILL: In a risk-based approach, that is more information that could have been provided to the GWC and assessed from a risk perspective; is it not?

MR SARGEANT: It wouldn't have to be provided to the GWC. If it was something which was seen as a priority, the Department could have taken it as an issue. But the GWC could have looked at it, yes.

5

MR FEUTRILL: What I mean to say is, it was within the power of the GWC and through the Department to institute some form of audit or checking to consider the probity process of Crown Perth for the veracity of that process?

10 MR SARGEANT. Yes, the authority for that would have to come from the *Casino Control Act*, yes.

MR FEUTRILL: So why wasn't such a procedure put in place?

15 MR SARGEANT: I can't give you an answer other than the fact that there was confidence in the casino operator would apply appropriate standards to their client base, the management casino, the boards, et cetera, and the risk processes would cover that. It wasn't something that was expressly considered by the Commission.

20 MR FEUTRILL: The answer to that question, Mr Sargeant, leaves one with the impression that you placed an enormous amount of trust and reliance on the integrity of the casino operator.

MR SARGEANT: I think that is a fair comment.

25

MR FEUTRILL: Would you agree with the proposition that the role of a regulator is to approach regulation with a degree of scepticism?

30 MR SARGEANT: That's fair. During this period too there was, sort of, an anti-red tape issues to do with government imposing standards on people. There was this idea that even in the banking system it was more of a co-regulation model whereby there was a degree of trust in the case of the casino as the licensee wouldn't do anything improper to jeopardise their licence and of course to jeopardise the reputation of the various board of directors, et cetera.

35

MR FEUTRILL: Well, was there anything in that took place in 2014 and prior to the Bergin Inquiry that gave you cause to pause and think about whether the trust and faith you placed in the Perth Casino operator was misplaced?

40 MR SARGEANT: Well, the first one that comes to mind was the Four Corners shown late 2014. I was --- I wasn't in Australia when the program first aired, but I did view it and we did consider it from the Commission point of view, allegations. I know Mr Connolly did some work on that. I can recall that one of the things that I had determined when --- because it was about the Chinese market, the Four Corners
45 show in Macau, was that my trip to Macau, I was seeing some of the high-end and high roller rooms, and in effect what they were doing in Macau was essentially subcontracting part of their rooms out to the junket operators who ran them a lot like

a private casino. And I knew that wasn't happening in Perth so I was quite confident in the process by which we operated. I can't recall the report that Mr Connolly prepared, but I think I and the Commission we were satisfied with it. There was
5 some consultation with the casino operator.

MR FEUTRILL: How did you know it wasn't happening in Perth?

MR SARGEANT: Well, the manner in which the casino was operating, and our
10 inspectors, meant that they couldn't operate as a private suite of individual rooms. In the case of Macau what I saw was they had signs up to say that this belonged to a particular junket operator and it was exclusive to their use. That wasn't the way in which Perth operated.

15 MR FEUTRILL: Did you understand the way Perth operated to involve the exclusive uses of parts of the ---

MR SARGEANT: Sorry?

20 MR FEUTRILL: Did you understand the way in which junkets operated in Perth was to allow for exclusive use of part of the gaming floor?

MR SARGEANT: You mean when they came in, that --- perhaps it was for
25 exclusive use but they weren't in the situation where they controlled everything.

MR FEUTRILL: And how did you know that, how did the GWC ---

MR SARGEANT: The fact that we still had audits going, even the cage audits and
30 international room audits to be conducted, and there was nothing suspicious that was coming in through to say that they weren't complying with the requirements. That's all I can say. I have never received any adverse reports to the Gaming Commission, to that effect.

MR FEUTRILL: You've given evidence in your statement that you watched the
35 Four Corners program in 2014?

MR SARGEANT: Late 2014, yes, I did view it. I can't recall it in specific detail anymore.

40 MR FEUTRILL: I mean the report does contain some quite serious allegations, doesn't it?

MR SARGEANT: It did have some allegations. I think they were probably directed
45 more at Melbourne than they were at Perth, if I remember correctly. That is as much as my recollection.

MR FEUTRILL: Either way, were you not at all concerned after watching that program that perhaps relying on federal border controls was not a sufficient control

of junket operations for Perth?

MR SARGEANT: No, I would say not. Border controls.

5

MR FEUTRILL: You say that they were not adequate or you didn't ---

MR SARGEANT: No, I was not dissatisfied with their controls. I was happy to still rely on their controls.

10

MR FEUTRILL: All right. But in answer to my question about whether there was anything that sprung to mind or began to cause you ---

MR SARGEANT: Sorry, can you repeat yourself.

15

MR FEUTRILL: I think in answer to a question I asked about earlier as to whether there was anything that took place in 2010 and 2017 --- sorry, prior to the Bergin Inquiry that caused you to reflect on the trust you placed in the Perth Casino operator, you immediately mentioned ---

20

MR SARGEANT: That's one --- I was looking at the time frame and that's the one that came to my mind. If you said before, what was it, 2017, the other one of course was the Chinese arrests which came to the fore. We did look at that.

25

Now, in the case of the Chinese one and because of the relationship between Crown and I think it was Melco, the companies that ran the casinos in Macau, when Crown sought to get approved with the casino Melco casino in Macau, it had to be a close associate. We worked closely with the Victorian authorities because they had the investigative skills to do that work. I can't recall which part of it, but I know I went to Melbourne and attended one of their meetings, (inaudible) Commission there, when they were deciding on whether to approve that, Melco.

30

As a result of this yes, Mr Connolly had contacted Melbourne, and the decision was they were going to investigate, so we were happy to cooperate and let them take the lead in relation to the matters --- in relation to the 2016 arrests of the Chinese people. We had some assurances too. I think Mr Felstead had rang me a couple of times and assured me that everything was above board. I relied that to the Commission, just verbally about that matter, but there was some follow-up. But I think the ultimate result was that if Melbourne authorities are going to investigate, we were relying on the Melbourne authorities.

40

MR FEUTRILL: Relying on the Victorian regulator to undertake investigation is one thing, Mr Sargeant, but what about --- what did you do, as the Director-General of the Department and Chairman of GWC, to consider whether the protections in Western Australia were adequate?

45

MR SARGEANT: I did nothing other than what I've just said. We went to the Victorian authorities.

MR FEUTRILL: So when you answered the question by saying this Four Corners episode gave you pause, what did you ---

5 MR SARGEANT: What did you say?

MR FEUTRILL: When you answered my question by saying there was this Four Corners thing, you've mentioned the China arrests that gave you pause, what was done about that by you?

10

MR SARGEANT: Nothing. Well, the only thing is to get the reports from the Chief Casino Officer and then to --- I had discussions with Mr Felstead and then I did refer it --- we were looking at working with Melbourne authorities. Other than that, as an individual item, we let it stand.

15

MR FEUTRILL: Did you continue yourself to have absolute trust and confidence in the Perth Casino operator?

MR SARGEANT: Given the assurances I was given, yes.

20

MR FEUTRILL: All right, I want to ask you about a slightly different topic, Mr Sargeant, which concerns the system that you use, the Department that you use to calculate the taxes for accounting information. You refer to this in paragraphs 41 and 42 of your statement and this involves the change from the RG system to something called Sharperlight. You were quite brief here but there would be things that would be useful to put your statement into context. Starting with the RG system, do I understand that system to have operated correctly whereby the Department had direct access to Crown Perth's accounting information?

25

30 MR SARGEANT: I understand that's the basis of the system, yes.

MR FEUTRILL: So you had source information from which the Department could calculate the appropriate amount of tax payable by Crown Perth?

35 MR SARGEANT: Yes.

MR FEUTRILL: When the Sharperlight system came into existence, that direct visibility was lost; is that right?

40 MR SARGEANT: Yes, that was the decision we had to make about going across to Sharperlight, yes.

MR FEUTRILL: So you no longer had access to direct source information but relied on Crown Perth to provide you with information about how the tax was calculated; is that the essence?

45

MR SARGEANT: That's right.

MR FEUTRILL: The control that you put in place to deal with that was to undertake an audit through Gaming Laboratories Australia, or GLI; is that right?

5 MR SARGEANT: Because they had the capabilities of doing that work I understand, yes.

MR FEUTRILL: I again just want to take you to some materials and ask you some questions so you can fill in some gaps in our information, please. The first is
10 GWC.0002.0008.0001. This is an extract from a GWC agenda paper from December 2015. And I don't know if this is something you've been provided recently, Mr Sargeant, but can I ask you just to have a look at this paper and see if it has a degree of familiarity to you in terms of the process at least?

15 MR SARGEANT: In a particular report, no, it doesn't, but I know that we did rely on GLI to give us some commission, in particular some assurance that the system was generating the revenue figures that it was alleging it was able to provide.

MR FEUTRILL: All right. Can I ask the operator to move to page _0008. There
20 are "Summary of findings and recommendations". Two headings, "Keno revenue" and the other one is "Trackside Revenue". You should probably read the following page as well. I'm particularly interested in the GLI recommendations.

COMMISSIONER JENKINS: Sorry, which page are we going to?
25

MR FEUTRILL: 0008 and 0009.

Mr Sargeant, you will have to let the operator know when to scroll down.

30 MR SARGEANT: I've done 3.3. You can go down.

COMMISSIONER JENKINS: You can go to the next page.

MR SARGEANT: 3.8, yeah.
35

COMMISSIONER JENKINS: Scroll down, please. I think he's finished reading.

MR FEUTRILL: Mr Sargeant, have you finished reading?

40 MR SARGEANT: Okay.

MR FEUTRILL: I've got another document to show you, Mr Sargeant. If you can hold that information in your head for the moment. This one is
45 GWC.0002.0008.0002. Which is the corresponding paper from 2017. And could you navigate to the "Findings and recommendations" on page _0012. Have you read that?

MR SARGEANT: Yes.

5 MR FEUTRILL: The question I want to ask you about is the recommendation that
the department have access to the SYCO system to generating supporting reports for
game revenue, and the recommendation to do with standard operating procedures
(inaudible). Yes, the following paragraph under the heading 4.3 and access to the
standard operating procedures. It appears as if the recommendations from the 2015
10 report were not implemented before this report in 2017. Are you aware of whether
following from 2017 the recommendations in this report have since been
implemented?

15 MR SARGEANT: No, I can't say I have. That 2017 was after I was no longer DG. I
was a member of the Gaming Commission, but I can't recall receiving a report that
they have. I can't recall that.

MR FEUTRILL: So is it you don't recall receiving a paper from the Department as a
member of a GWC dealing with these recommendations?

20 MR SARGEANT: No, I can't recall that.

MR FEUTRILL: All right.

25 MR SARGEANT: I don't think we did --- what date in September was --- sorry, in
2017, what date was that?

MR FEUTRILL: This was at a meeting, I believe, in August 2017.

30 MR SARGEANT: Yeah

MR FEUTRILL: Mr Sargeant, you were asked some questions about delegations in
your topics, you might recall, and you've given some answers in paragraphs 26 to 31
of your statement. I would like to ask you some more questions about this topic to
try and understand better what you mean in some of these paragraphs.

35 I think this is alluded to in your answer, there was a very general delegation of the
powers of the GWC to the Chairman of the GWC. I would like to take you what I
believe to be an example of that, which is at GWC.0002.0016.0082.

40 MR SARGEANT: I was basically given full powers of the Commission from day
one, if I remember correctly. The Chairman had those powers, to exercise the full
powers.

45 MR FEUTRILL: Yes. There seem to have been a number of iterations of it, but ---

MR SARGEANT: In principle it remained the same.

MR FEUTRILL: Correct. And I just want to confirm. So if you could go to 0201

and 0202, which is an attachment to the paper. So this is the nature of the delegation that you are referring to in your statement, is it not, that there was effectively a delegation of all powers, save for the power of delegation itself?

5

MR SARGEANT: That's right.

MR FEUTRILL: And a similar delegation was made to the Deputy Chair.

10 MR SARGEANT: What date was that one?

MR FEUTRILL: The same document.

MR SARGEANT: What date?

15

MR FEUTRILL: Scrolling down to 0204.

MR SARGEANT: The Deputy Chairman's powers only came into effect when the Chairman wasn't available. It wasn't unfettered to the Chairman the way the Act was structured. For instance, if I was away and not available, then the Deputy Chair could fill in. But that was the way in which the Deputy Chair would fundamental --- fundamentally the powers rested more with me than to the Deputy Chair.

20

MR FEUTRILL: Well, that qualification doesn't appear from the instrument itself.

25

MR SARGEANT: Wouldn't it have come through the Act? I was just thinking about the fact that the Deputy Chair only applies when the chairman is not available. I stand corrected on that.

30 MR FEUTRILL: Whenever it is operative you would agree though, it is a very, in theory, it is an unlimited power save for the power of delegation itself?

MR SARGEANT: I can't recall it being exercised to that extent. I was very careful on using any of the powers under the Act, and I can recall things like when we were having some issues to do with some of the standard lotteries, sometimes we were requiring them to go to full Commission meetings and for some reason they would get held up by the officers and rather than penalise some of the people, I would give them approval of things which only the Commission could do in relation to going and getting at least one permit out so they wouldn't be adversely affected. Things like the TAB might have forgotten a request to authorise a temporary TAB event, I could do that but it was --- I think I might have once changed a gaming rule because there was an error in it, but that's the extent to which it was exercised. You would find that over the course of the years, I very rarely exercised the discretions that I had in that relationship.

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45

MR FEUTRILL: You are now talking about how you operate in practice.

MR SARGEANT: Mm-hmm.

MR FEUTRILL: I'm more interested in what power it gave you in theory. From a governance perspective.

5 MR SARGEANT: It gave me unfettered power.

MR FEUTRILL: Do you consider that to be an aspect of good governance on the part of GWC to give the Chair an unfettered power?

10 MR SARGEANT: Well, although it didn't say in the delegation, I knew that the powers were basically to be exercised in cases where the Commission couldn't meet or something or it was not of a major concern that I could exercise those powers. So I've had them since they started. They were given to me from the start. So I was very comfortable with it. I know what you are saying about the broad parameters, it
15 wasn't spelt out, but obviously the Commission had confidence in me exercising those powers. It was unfettered, I accept that.

MR FEUTRILL: But the understanding you've just described, where does that --- that is an unstated understanding, which was probably yours, is it not?
20

MR SARGEANT: Sorry, you broke up a bit.

MR FEUTRILL: The understanding that you would only exercise --- I think you said in your statement that you had a good feel or words to that effect ---
25

MR SARGEANT: Yes.

MR FEUTRILL: That's an unstated limitation on your power that you personally felt; is it not?
30

MR SARGEANT: It was unstated but whenever we had these issues to assign that was the basis on which they were signed by the full Commission members. This question was asked in part because there are references in some of the minutes to the exercise of a power and delegation and a reference to general matters. I will give
35 you an example of that. GWC.0002.0016.0037_0012, and apparently this is subject to a non-publication order. So on this page, _0012, there is an express reference to, for want of a better way of describing what you have just articulated, you exercised the power with respect to general matters?

40 MR SARGEANT: Can you blow that up a bit bigger for me, please? I think that is a fair description of that particular case. Nothing major.

MR FEUTRILL: So is it fair to say then, leaving aside the strict legal interpretation that we as lawyers can do, that the practice in your mind was you exercised the
45 power with respect to what you might call general matters or routine matters, and anything major would be left to be determined by the full Commission?

MR SARGEANT: Definitely. So, examples I gave you to do with standard permits or permits for temporary events, that was a very standard, sort of general matter which we did, and there may be some reason why they were coming to the
5 Commission at some stage, and I would have exercised that power under circumstances which I thought was justified. And I report that back to the Commission though.

MR FEUTRILL: All right. But in any case, whichever way it is done, the decision
10 about whether to bring it to the Commission before or after the exercise of the power was yours?

MR SARGEANT: Mm-hmm. Yes.

MR FEUTRILL: As a matter of good governance, do you not consider it to be
15 preferable to ascribe and circumscribe the power at the outset?

MR SARGEANT: If you use that term "good governance", yes I would have to agree with that. But --- obviously I had confidence in myself and the Commission
20 had confidence in me as well, but --- yes.

MR FEUTRILL: So to put it slightly differently, what was the point of delegating such a broad power to you if it was never intended to be exercised so broadly?

MR SARGEANT: Well, it was a matter of what you were saying, is you could have
25 put it into the delegation to describe it, but that was the understanding which it was granted. That's all I can answer that on.

MR FEUTRILL: Okay. There is us dealing with you and the delegation of the
30 powers, there was a delegation I took you to who was the Deputy Chair, who may or may not have been the same person as the Chief Casino Officer. The delegations worked to a position, not an individual.

MR SARGEANT: Yes.

35

MR FEUTRILL: Now, can I ask you be shown GWC.0002.0016.0056. Again, this is subject to a non-publication order. You will see there is a recommendation to delegate certain powers to the Chief Casino Officer in 1a) and the Deputy Director-General in 1b). I will take you to the minutes of that meeting, which is
40 GWC.002.0016.0059_0006. Okay, this page is fine. I can show you this one.

MR SARGEANT: Can you give me the date of this again? I didn't pick it up.

MR FEUTRILL: 23 April 2012.

45

MR SARGEANT: April 2012. Yep.

MR FEUTRILL: In the case of the Chief Casino Officer you will see the nature of

the delegation is more limited. It is limited to specific things, including a direction under section 24 of the Casino Control Act, for example. Now, in the minute itself there is no requirement that after exercise, the delegate of the power report on the exercise of the power to the GWC.

MR SARGEANT: So there is no requirement to report; is that what you are saying?

MR FEUTRILL: No requirement to report. The minute doesn't say, here is the resolution, delegation, and you must report on the exercise of the power.

MR SARGEANT: I can't give an explanation. The explanation I can give is it was expected that you would report back and in a matter of course we did report back out the times that we exercised that delegation.

MR FEUTRILL: I was going to ask you about that because in paragraph 29 of your statement you said the CCO and the Departmental officers were expected to report the exercise of delegated power back to the GWC. From where does that expectation come?

MR SARGEANT: It comes from the understanding that anybody who is delegated those particular powers would report back to the Commission. The ones that didn't report back to the Commission were those who had delegated power to issue licenses and very mundane things, otherwise the Commission meetings would be just bogged down with it. There was no need to report them back.

But in relation to those broad powers it was just an understanding that that's what would happen.

MR FEUTRILL: Where does the understanding come --- how does the delegate know that is the way in which the power is to be exercised?

MR SARGEANT: Well, like myself, it wasn't to be exercised in very major items, it was more routine items to be done under delegation. The preference always was to do things at the Commission meetings. I don't think it was at that stage, but at some point, with respect to games, the Commission was approving things and it was coming back to the Commission again and the Commission delegated the powers to the Chief Casino Officer to approve games once they had been approved in principle. There was no need to report back those particular cases. It was explicitly set out but there was an expectation that you would report back.

MR FEUTRILL: Well ---

MR SARGEANT: I think it did happen.

MR FEUTRILL: Leaving aside you and what you understood because obviously you can speak directly to your own experience, how did the Chief Casino Officer to who the power is delegated, if there was change in a person occupying in that office,

know that there was an expectation or they were operating under an understanding that they would report the use of the power to the GWC?

5 MR SARGEANT: In this case the Chief Casino Officer and the Deputy Director-General were one and the same, Mr Connolly, and I think he, like me, understood the premise in which delegations were made. I would have made it quite clear that any time you exercise the power of that you do report back to the Commission. I think he did. I can't recall him not reporting back to the Commission.

10 MR FEUTRILL: The person occupying the office can change?

MR SARGEANT: Sorry?

15 MR FEUTRILL: The person occupying the office does not need to be Mr Connolly in perpetuity?

MR SARGEANT: It could be --- I agree it could change, but in that circumstance it had remained that person for quite some time. I could have changed too --- well, I did change in 2017.

20 MR FEUTRILL: Yes.

MR SARGEANT: Changed from my position to Mr Ord, so it does change. But in the case of Mr Connolly, he'd been there since 2011, 2012, or something, I can't recall, to that position.

MR FEUTRILL: Is the answer that you conveyed to the delegates of the power, the expectation that they would report to the GWC?

30 MR SARGEANT: In the case of Mr Connolly, yes, it would have been. And he attended many meetings of the Commission as well and before then and even after the meeting. That's my understanding.

35 MR FEUTRILL: Sorry, when you say "would have been", is that a positive recollection, you did it, or is that you thinking you did it?

MR SARGEANT: Him reporting or him coming to meetings?

40 MR FEUTRILL: You are conveying to him the expectation that upon exercise of the power there would be a report to the GWC?

MR SARGEANT: I just expected he would. That was the understanding that he would report back to the GWC the exercise of those powers, similarly the way I had reported back the exercise of those powers.

45 MR FEUTRILL: The expectation was not from you telling him, "By the way, Mr Connolly, when you exercise this power under delegation you need to report back

to the GWC", you just thought he would know that, is that what you are saying?

5 MR SARGEANT: No, I would have spoken to him, but I can't recall how I would have spoken to him. But that was the expectation. I don't know whether I would have put it as strong as the words as you put it in. I can't recall how, but that was the expectation and would imagine when we were putting this particular matter to the Commission, that was the way it would have been expressed, there would be the expectation of reporting back.

10 MR FEUTRILL: All right.

MR SARGEANT: I can't recall instances of matters being delegated and approval for delegation that hasn't come back, but that doesn't mean to say it couldn't happen.

15 MR FEUTRILL: Well, there was a discretion, wasn't there, if I understand on the part of the delegate ---

MR SARGEANT: Sorry?

20 MR FEUTRILL: As I understand your evidence, the expectation was they would report --- exercise a power where the exercise involved a significant decision, not a routine thing like they are going to issue a permit for a Bingo game or something?

25 MR SARGEANT: I agree. That delegation, no, because we would be inundated with work. They had to be --- there were other officers even further down the line that were issued that power. Just like in the liquor area, the Director of Liquor Licensing delegated the power right down to people to sign things on behalf of the Director. Similarly, people sign permits on behalf of the Commission, et cetera, to authorise those people to play those games. That was not reported back to the Commission.

30 MR FEUTRILL: Leaving aside cases of urgency where there is a need to make a decision before the GWC can meet, would you agree with the proposition that a change to the Casino Manual ought be subject to a meeting of the GWC?

35 MR SARGEANT: I can't recall, but I thought the manual sign was actually considered as a Commission matter. But if it wasn't, then most of the matters that were being done in relation to the manuals were of the general matter. They weren't necessarily major changes of philosophy. That was the intent.

40 MR FEUTRILL: All right. Deletion of a section and insertion of a new section, is that major or minor in your view?

45 MR SARGEANT: Depends on the circumstances. If you aren't changing things dramatically but you are rewriting a section, I wouldn't necessarily think that was major, I would have to look at each case on its merits.

MR FEUTRILL: Each case on its merits, discretion to the person to whom the power has been delegated to make that decision?

5 MR SARGEANT: It would have been in that case, yes.

MR FEUTRILL: Do you consider that to be an aspect of good governance on the part of the GWC?

10 MR SARGEANT: It is a matter of confidence in the individuals exercising the powers. And I didn't consider there was not having a trusting individual exercising those powers. So from that perspective I don't think it would have made any difference. If you documented it, obviously that puts certain certainties in place.

15 MR FEUTRILL: Can I call up GWC.0002.0016.0299_0010. I am going to take you, Mr Sargeant, direct to the minutes of a meeting.

In this instance under 9.3, there is a reference to the delegation to the Deputy Director-General.

20 COMMISSIONER JENKINS: Mr Feutrill, could you just identify what document we are looking at?

MR FEUTRILL: Sorry, it's GWC.0002 ---

25 COMMISSIONER JENKINS: No, what the title of the document is.

MR FEUTRILL: It is the minutes of the meeting of the GWC of 28 April 2020.

30 COMMISSIONER JENKINS: Thank you.

MR FEUTRILL: And if I could ask you to look at 9.3.

35 MR SARGEANT: This was to do with the sale of the TAB, wasn't it? What was the date?

MR FEUTRILL: April 2020.

40 MR SARGEANT: I think it was to do with matters concerning the sale of the TAB.

MR FEUTRILL: The minute refers to that in a sense as a qualification in (v). But, to use the French expression, in the chapeau to the resolution, the delegation of all the Commission's powers, other than the power of delegation itself, and then there is a qualification too.

45 MR SARGEANT: What was that one?

MR FEUTRILL: Well, to expedite the approvals process, et cetera, for transition ---

MR SARGEANT: And to enable the position holder to exercise in a (inaudible) manner matters that may require between Commission meetings.

5 MR FEUTRILL: Can I ask you to be shown GWC.0001.0008.0184. That is the delegation signed. I take it the third signature is yours?

MR SARGEANT: My signature is there, isn't it?

10 MR FEUTRILL: Under "Members".

MR SARGEANT: Is it there?

COMMISSIONER JENKINS: Scroll down, please.

15

MR SARGEANT: Yes, I would have been there at the meeting, yes.

MR FEUTRILL: That is your signature, isn't it?

20 MR SARGEANT: No, no --- if I'm not --- yeah, I would say that this is not electronic, no, that would be mine. Yeah.

MR FEUTRILL: This instrument of delegation doesn't contain the qualifications that were in the resolution. It is purely and simply a delegation of all the powers of
25 Commission to the Deputy Director-General of the Department, effectively.

MR SARGEANT: And it was from that particular meeting, this was the instrument of delegation from that meeting?

30 MR FEUTRILL: Well, it is dated 28 April 2020 and it's signed by you.

MR SARGEANT: Yeah, but I'm saying is that from the meeting, the paper that you just showed me, that is an outcome of that particular meeting? That's what I'm
35 asking.

35

MR FEUTRILL: Correct. Same meeting. Although at the time the Deputy Director-General of the Department was also the Chief Casino Officer and Deputy Chair of GWC, on its face this instrument is purporting to delegate all of the powers of one statutory body to the Deputy Director-General of the Department.

40

COMMISSIONER JENKINS: Is there a question there, Mr Feutrill?

MR SARGEANT: I acknowledge the fact that that was the paper that came, and that's what we did. I accept the criticism of that. With me personally. Other
45 members, that's up to them.

MR FEUTRILL: Well, there is no requirement to report in the instrument, is there?

MR SARGEANT: No, I accept that. Actually, I left --- that would be an electronic signature, I think, because I'm sure that I was locked out of Perth at that stage, or due to COVID I was doing it via --- thing, but that makes no excuse. I'm just trying to put it in context whether I was there at the meeting by Teams or not, but --- mm.

MR FEUTRILL: As far as you are aware, has that instrument been revoked?

MR SARGEANT: I think all delegations were revoked early in 2021 and they were starting afresh. I think that delegation has been revoked.

MR FEUTRILL: Mr Sargeant, I would like to ask you some questions about the events of 2017. You have dealt with the topic of the compliance review in your statement at paragraph 68 ---

MR SARGEANT: 68, was it?

MR FEUTRILL: 68, yes, and 69. I will take you to the document because I think you've referred to it in paragraph 68, which is GWC.0002.0016.0202. This is subject to a non-publication order. The pinpoint is _0013.

Now the context to this review, you gave the direction, didn't you, to Mr Connolly to undertake a review of all gambling and liquor compliance activities performed by the Department?

MR SARGEANT: Yes.

MR FEUTRILL: The purpose of that was to assess the effectiveness of those programs and the processes and practices employed?

MR SARGEANT: Yes.

MR FEUTRILL: And it was intended to cover, amongst other things, junket operations?

MR SARGEANT: Yes.

MR FEUTRILL: And do I understand that the impetus, or one of the impetuses to your direction was the conclusions in the Office of the Auditor-General report concerning the Victorian VCGLR?

MR SARGEANT: Yes.

MR FEUTRILL: Was it your concern that the finding of the OAG that the VCGLR had not paid sufficient attention to areas of risk in the Melbourne Casino's operations, such as detection of people excluded by Victorian police, Responsible Gambling and money laundering, was it your concern that a similar finding could be

regarding the GWC's regulation of the Perth Casino?

5 MR SARGEANT: Yes, you wouldn't have probably in relation to police barrings, but it was, yes, an opportunity to say, "Well, we need to look at ourselves", bearing in mind that I knew I would be retiring within 12 months at least then.

10 In fairness to Mr Connolly, he had talked about the need to review our operations, particularly after we had changed the inspectorate in relation to their audit of the casino. We had a couple of redundancies we'd paid out so it was timely. It was timely.

15 MR FEUTRILL: I want to show you a document that you may or may not have seen before. The reference is DLG.001.0023.7494. This is also subject to a non-publication order. You may need to have a good look at the document, Mr Sargeant. At the foot of the page it is dated 16 February 2017. My question is whether you recall having received it in or about early 2017?

20 MR SARGEANT: No, I haven't seen that document before. I've only seen it as a result of some documents which the Royal Commission supplied to Quinn Emanuel. Until then I had never seen it before.

25 MR FEUTRILL: So do I understand from the answer that you've just given that you have had an opportunity before today to read through it and familiarise yourself?

MR SARGEANT: Very short amount of opportunity. I suggest I had a very short opportunity. I am not aware of it having been distributed to anybody.

30 COMMISSIONER JENKINS: In fairness to Mr Sargeant, if you know or have an idea who created it and when, you could put that to him to assist him to put it into any context.

MR FEUTRILL: I'm not sure I know the answer to that question.

35 COMMISSIONER JENKINS: That's fine if you can't.

40 MR FEUTRILL: Mr Sargeant, I want to ask you some questions about some statements that are attributed to a person on page 3 of the document under a heading "Corporate Junket Operators".

MR SARGEANT: When I read that document that's the first time that I've seen those sort of issues be raised.

45 MR FEUTRILL: Right.

MR SARGEANT: Very concerned to read them.

MR FEUTRILL: So you've mentioned in paragraph 64 of your statement that it

wasn't raised with you at the time?

MR SARGEANT: 64, what was that I said?

5

MR FEUTRILL: In your statement, you said you had no knowledge of those concerns in February 2017?

MR SARGEANT: In relation to this document, that is what I'm saying it to?

10

MR FEUTRILL: My apologies. In your witness statement in paragraph 64, in answer to a question ---

MR SARGEANT: Yes, I see, that's correct, I had no knowledge of it until I read it for this particular

15

MR FEUTRILL: Now, Mr Connolly had been directed to undertake a review of the compliance, the compliance framework of the Department ---

20

MR SARGEANT: Yes.

MR FEUTRILL: --- in 2017. Someone records a conversation with the relevant compliance inspector in this document and I think you have alluded to a concern about the nature of the allegations being made by that inspector in terms of the junket operations at the Perth Casino.

25

MR SARGEANT: Yes.

MR FEUTRILL: As the Director-General of the Department at the time, is this a matter which you would have expected to have been made aware by Departmental officers?

30

MR SARGEANT: Yes. If you take the word in there that Ms Webb said she had been raising concerns, well, my concern is why hadn't that filtered up the system before and there should have been some reports on it if there were issues out there. I was very concerned to read it when I read it for this exercise.

35

MR FEUTRILL: So is it your evidence that no one in the Department to use the phrase "escalated" these allegations to you as Director-General or to the GWC?

40

MR SARGEANT: Correct.

The date, 17th, I can't remember what was the date of Mr Connolly's memo to the Commission, you just said what date was that?

45

MR FEUTRILL: The memo to the --- accompanying the GWC materials was 21 February.

MR SARGEANT: I would have expected that if that was saying there was a matter of urgency it was something to do with the junket markets but it that was 16th of February that was on that document, the 17th --- (overspeaking) --- this preceded the report that Mr Connolly had prepared for the Commission.

MR FEUTRILL: That's right. So these things may have been running together, Mr Sargeant. My question really is whether you can recall today whether one of the reasons for your directions to Mr Connolly in February 2017 was knowledge of these allegations being raised by an inspector.

MR SARGEANT: Definitely not.

MR FEUTRILL: Would you agree with me that raising allegations of that nature concerning activities at the Perth Casino would suggest that some of the criticisms made of the regulation in Victoria could be levelled at the regulator in Perth?

MR SARGEANT: I would agree. I would agree. And the way in which if they were using those rooms like they used in Macau I would be very concerned about it.

MR FEUTRILL: Why is that?

MR SARGEANT: Because of the nature of the way they conducted their junkets in Macau. They basically took control of rooms. I think it was mentioned in that that there were people on telephones to people. I know they had come to the Commission before about telephone betting and the Commission had said "no" to that. So whether there were allegations of telephone betting for games at the casino, just having total control. I would have just liked to know a bit more about it. Now, there might have been good reasons for it, but that would have raised my concerns at that stage.

MR FEUTRILL: Is your concern now reading it that if activities of that nature were taking place at the Perth Casino it made the junket operations ripe to be used for money laundering?

MR SARGEANT: I wouldn't suggest ripe for money laundering but was questions to be asked about how they were operating the junkets. More importantly, how the licensee was operating junkets. I'd be concerned about that as a first point.

MR FEUTRILL: Now might be a convenient time.

COMMISSIONER JENKINS: Mr Sargeant, we will leave it there for the afternoon and we will be continuing your evidence tomorrow morning. If you could be back where you are in time to recommence at 10 am tomorrow morning.

MR SARGEANT: Yes.

COMMISSIONER JENKINS: Thank you very much. We may now turn the link

03:56PM

off.

MR SARGEANT: Thank you. Goodnight.

5

COMMISSIONER JENKINS: Thank you.

We will adjourn until 10 am tomorrow morning.

10

ADJOURNED AT 3.56 PM UNTIL FRIDAY, 10 SEPTEMBER 2021 AT 10.00 AM

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