

IN THE PERTH CASINO ROYAL COMMISSION

AMENDED WITNESS STATEMENT OF KIN WING NG

Date of Document: 2 September 2021

Filed on behalf of: The Department of Local
Government, Sport and Cultural
Industries

Date of Filing: 3 September 2021

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I, Kin Wing Ng, also known as Terry Ng, of
 Contains sensitive information

Contains sensitive information state as follows:

1. I am currently retired, having been previously employed as the Chief Finance Officer (**CFO**) with the former Department of Racing, Gaming and Liquor (**Department**).
2. I have been invited to provide a statement to the Perth Casino Royal Commission (**Royal Commission**).¹ This statement has been prepared with the assistance of the solicitors acting for the DLGSC.
3. This statement is provided on the basis of my best recollections of the relevant events, noting the limited time provided to prepare this statement and the significant period of time which has passed since being employed in this role.

QUALIFICATIONS AND EXPERIENCE (RESPONSE TO QUESTIONS 1-3)

Qualifications and Experience (Response to Q1)

4. I hold a Bachelor of Business (BBus), Postgraduate Diploma in Business, and Master of Commerce (Accounting) from Curtin University, Fellow Certified Practising Accountant Australia (FCPA), and I am a former Member of the Hong

¹ See List of Topics to be Addressed by Mr Terry Ng in Written Statement, DLG.0001.0010.0001.

Kong Institute of Certified Public Accountants.

Roles with Department (Response to Qs 1-3)

5. I was employed as the CFO of the Department from March 2000 until 30 June 2017. I then continued to be employed in the Finance section of the DLGSC until around March 2018.
6. As CFO of the Department I also assumed the role of the CFO of all statutory authorities and entities within the Department pursuant to the *Financial Management Act 2006* (WA).
7. These roles changed over time.
8. Prior to the period around 2003, I was the CFO of five agencies. I recall that these agencies were the Department, the then Gaming Commission of WA, the Betting Control Board, the Racecourse Development Trust, and the Racing Penalties Appeal Tribunal (**Tribunal**).
9. From 2003 onwards, the total agencies were reduced to three, being the Department, Gaming and Wagering Commission (**GWC**), and the Tribunal.
10. During the period of my employment within the Department, I also undertook the following positions:
 - 10.1 Acting Executive Director of Governance and Strategy for around 4 weeks in a period between

approximately August 2009 and October 2009;

10.2 Finance Analyst (secondment) at Health Information Network from November 2011 until February 2012;

10.3 Acting Executive Director of Governance and Strategy for the April 2013 period; and

10.4 Acting Executive Director of Governance and Strategy for around 4 weeks in a period between approximately August 2013 and October 2013.

11. Prior to my employment at the Department I was employed in the following relevant positions:

11.1 Auditor at Yip, Leung and Chan CPA from October 1990 until January 1993;

11.2 Administrative Officer at Fremantle Migrant Resource Centre from October 1994 until around August 1995;

11.3 Accountant at Fremantle Port Authority from around August 1995 until September 1997;

11.4 Senior Finance Officer at South Metropolitan TAFE from September 1997 until April 1999.

12. During my time as CFO, the proportion of my time devoted to each of the different

roles that I held can be described as follows:

12.1 From 1999-2000 to 2002-2003:

- (a) Approximately 65% of my time being devoted to duties associated with my role as CFO of the Department;
- (b) Approximately 25% of my time being devoted to duties associated with my role as CFO of the Gaming Commission of WA; and
- (c) Approximately 10% of my time being devoted to duties associated with the Tribunal, Betting Control Board and Racecourse Development Trust; and

12.2 From 2003-2004 to 2016-2017:

- (a) Approximately 65% of my time being devoted to duties associated with my role as CFO of the Department;
- (b) Approximately 30% of my time being devoted to duties associated with my role as CFO of the GWC; and
- (c) Approximately 5% of my time being devoted to duties associated with the Tribunal.

THE POWERS, DUTIES, OBLIGATIONS AND RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER (RESPONSE TO QUESTIONS 4-5, 35)

Role of the CFO (Response to Q4)

13. The role of CFO sat within the Finance section of the Corporate Services Division of the Department.
14. I understood my powers, duties, obligations and responsibilities of the CFO of the Department to be determined by reference to the *Financial Management Act 2006* (WA) (**FM Act**).
15. Broadly, I understood that in my role I was responsible for:
 - 15.1 preparing financial information to assist the Department to discharge its statutory reporting obligations, for example by assisting the CEO or Director General (**DG**) to prepare financial documents;
 - 15.2 providing advice about the effectiveness of accounting and financial management information systems;
 - 15.3 providing advice about the financial implications and risks to the Department's services;
 - 15.4 developing strategic options for the Department's financial management and capability; and
 - 15.5 developing financial management skills within the Department, for example by arranging workshops.

16. Day to day, it was my role to manage the finances of the Department by preparing various Departmental financial documents. For example, I managed the preparation of documents including monthly financial reports, the mid-year review of the budget, the annual budget, year-end financial statements, and assisting in the completion of Key Performance Indicators (KPIs) and the Annual Report by providing the total costs of services.
17. Generally in this role, I reported to a Director with respect to the financial position of the Department.
18. The relevant title of the Director who I reported to as CFO has changed repeatedly.
19. When I began in the role of CFO, I reported to the Director of Corporate Services. Following Departmental restructures this role became Executive Director of Governance and Strategy, then later Director of Corporate Governance. While I was employed as the CFO, I reported at various times to Dorothy McLachlan, Ray Younger, Vanessa Grant, Lance Sgro, and Michael Connolly (**Mr Connolly**).

Role of the CFO in respect to bodies related to the Department (Response to Q5)

20. I understood my powers, duties, obligations and responsibilities of the CFO of the GWC and the Tribunal to be determined by reference to legislation including the FM

Act and the *Racing Penalties Appeals Act 1990* (WA).

21. I understood my role as CFO of the relevant statutory authorities to entail the same duties as I exercised in relation to my role as CFO of the Department, described at paragraphs [15]-[16].
22. The execution of my duties required that I prepare a separate set of financial documents for each agency. The precise set of financial documents would vary for each agency.
23. I was an employee of the Department providing a service to the GWC to complete the relevant financial documents including monthly financial reports, year-end financial statements, and assisting in the completion of KPIs and the Annual Report. To this end, I supported the GWC so they could in turn discharge their responsibilities.
24. I was also responsible for preparing the GWC's budget estimates and budget Briefing Paper which was provided to the GWC board at the GWC board meetings. Once the GWC board had resolved to approve the GWC budget estimates for each year, I would coordinate all relevant information in relation to the budget before the budget estimate was sent to the Minister as that year's budget submission.
25. Financial reports were made to the GWC on a monthly basis. These financial reports

included a briefing note for the GWC board explaining any significant variance in that monthly report.

26. To the best of my recollection, I attended part of a GWC board meeting on one occasion only, in approximately 2000 or 2001 to answer a question about finance. I cannot recall the question that I was asked.

Obstructions to exercise of role (Response to Q35)

27. I recall that on a number of occasions, I had raised with the senior executive team of the Department my issues and concerns relating to particular processes and procedures within the Department which in my view were not sufficiently actioned.
28. For example, in approximately 2017 I raised a potential system risk regarding the operation of the online system used by the Department called 'Navigate'. This system interfaced with the Financial Management Information System through the TechOne Enterprise Cash Receipting system. The concern I raised was in the context of refunds on payments made using incorrect reference numbers or payment amounts, which in my opinion could have exposes the Department to a security or reputation risk.
29. I raised this concern with various people within the Department including members of the management team, however to the best of my knowledge this was never fixed.

30. I felt that the failure to address this issue hampered my ability to perform my role as CFO.

EXECUTIVE INTERNAL AUDIT FUNCTION (RESPONSE TO QUESTIONS 6-7)

*Accountable authority of the Department
(Response to Q6)*

31. The work of the Finance section was subject to both external and internal audits.
32. I am aware that external audits are undertaken by the Office of the Auditor General (OAG). I understand that from time to time, the OAG would contract this auditing process to a private auditing firm who would conduct the external audit on the OAG's behalf.
33. To the extent that an internal audit process was undertaken, as CFO I was not involved in organising or arranging that internal audit process. Management of the internal audit process was undertaken by the Director.
34. The Director was responsible for the Department's Internal Audit Committee.
35. I was involved with dealing with the auditors when the internal audit was happening.
36. The internal audit would look at the financial processes used by the Finance section.
37. To the best of my recollection, the Department would generally have been subject to an internal audit every year. I

recall that these internal audits occurred until around 2015 or 2016.

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

Accountable authority of the GWC (Response to Q7)

39. When an internal audit was conducted on Department processes as described at paragraphs [34]-[38], that audit also involved an equivalent audit of the GWC.

TRAVEL BY DEPARTMENTAL OFFICERS (RESPONSE TO QUESTIONS 8-10)

Travel budget (Response to Q8)

40. I recall that the Department had a budgeted amount for travel for Departmental staff on official government business.
41. I cannot recall the amount of the budget allocated for the travel for Departmental staff on official government business.
42. There were two separate amounts relating to travel by Department staff in the Department's budget. One budgeted amount related to travel by the DG, Deputy Director General (DDG), and other Directors; and the other budgeted amount related to travel by the Inspectors. The costs of travel within the budget amount included the cost of flights, accommodation, and incidentals.
43. To the best of my recollection, there was no budgeted allocation for general staff to travel on official government business.

44. The purpose of budgeting for travel for Inspectors on official government business was that Inspectors were required to audit regional areas.
45. I was not involved in determining or approving the budget for travel, including budgeted amounts for travel for official business. The value of the budgeted amounts were determined by relevant managers within the Department's Compliance Division.
46. I am not aware of how these budgeted amounts were calculated.
47. The Finance section and I collected and coordinated the data provided in relation to proposed budget amounts including travel, into the budget model which was used to develop the annual budget. If a manager had any concern with the amount proposed, they would discuss this concern with the Director or the DDG.

*Reimbursement of specific travel costs
(Response to Qs 9-10)*

48. I am aware that from time to time, Barry Sargeant (**Mr Sargeant**) and Mr Connolly would travel for official business.
49. I recall that Mr Sargeant travelled to the Eastern States occasionally and also on one occasion to Macau.
50. I am aware that on one occasion, the casino reimbursed the Department in

relation to a payment. I do not recall what payment this reimbursement related to.

RELATIONSHIP BETWEEN THE DEPARTMENT AND GWC (RESPONSE TO QUESTIONS 11-14, 39-40)

Information and advice to GWC (Response to Q11)

51. I provided information about financial matters to the GWC in financial documents including monthly financial reports, annual budget, and year-end financial statements. I also assisted in the compilation of information regarding the KPIs and the Annual Report.
52. I did not provide any other financial advice to the GWC.
53. As described above, these financial documents were provided on either a monthly or an annual basis, as relevant.
54. The financial information provided to the GWC was limited to financial information and budget information relating to the financial position of the GWC including any significant variance to the previous financial position and the budgeted financial position.

APPROPRIATION TO GWC (RESPONSE TO QUESTIONS 12-14)

GWC Processes (Response to Q12)

55. I am not aware of the process of determining the sufficiency of the income received by the GWC.

56. I am not aware of whether the GWC undertook any process to determine whether its income was sufficient to meet the costs of regulating the Perth Casino.
57. During the time I was employed as CFO, I was not involved in any request by the GWC for additional income.

Requests for advice (Response to Q13)

58. During the time I was employed as CFO, the GWC did not request advice from me as to whether its income was sufficient to meet the costs of regulating the Perth Casino.
59. I was never contacted by any member of the GWC board to query or raise concern with the sufficiency of its income.
60. I never gave advice to the GWC regarding the sufficiency of its income in relation to its regulation of the Perth casino to the standard expected by the community. If I had been asked to provide advice on this topic, as CFO I would not have been in a position to give that advice as I did not have access to adequate information about what income would be sufficient to regulate the Perth casino to the standard expected by the community. I am not aware of whether sufficient information to give advice on this question existed within the Department.

Appropriations to GWC (Response to Q14)

61. I am not aware of the GWC having ever sought an appropriation or of any moneys have ever been appropriated to the GWC.

FINANCIAL RELATIONSHIP BETWEEN THE DEPARTMENT AND GWC (RESPONSE TO QUESTIONS 39-40)

62. In my opinion the financial relationship between the Department and the GWC could be improved by implementing the following changes:

62.1 The role of CFO to sit in the Corporate Executive team;

62.2 Further to the above, the CFO to attend Corporate Executive management team meetings and GWC board meetings;

62.3 Interactions between the GWC board and the CFO to be conducted regularly;

62.4 The CFO to be the primary point of financial advice to the GWC board;

62.5 The CFO to report only to the DG or Chair;

62.6 A mechanism for allocating the costs of GWC board members to the casino and non-casino related activities to be implemented.

63. In my opinion the relative benefits of having the same person as CFO for both the Department and the GWC include:

63.1 increased synergy and economies;

- 63.2 creation of a multi-skilled financial resource;
 - 63.3 increased efficiency as there is no need to communicate to another CFO; and
 - 63.4 lower cost to State Government.
64. In my opinion the relative detriments of having the same person as CFO for both the Department and the GWC include:
- 64.1 lack of independence to some extent;
 - 64.2 the person in these roles may not be able to make decisions, or react to risks and crises, as quickly and efficiently as a CFO whose sole focus is related to one agency only;
 - 64.3 that it is more difficult for the person to manage the workload; and
 - 64.4 the CFO is less specialised.

**REMUNERATION OF GWC COMMISSIONERS
(RESPONSE TO QUESTIONS 15-16)**

65. The remuneration of Commissioners were stated in the GWC Annual Budget.
66. I am aware that the remuneration of Commissioners was renewed in accordance with the *Public Sector Management Act 1994* (WA). I recall this because the Finance section would receive notifications addressed to GWC or the Tribunal which stated this.

67. I do not recall how frequently the remuneration of Commissioners was adjusted or reviewed.
68. I am not aware of any policy or practice governing the frequency of review of the remuneration of board members of statutory authorities such as the GWC.
69. I did not have a role in setting the remuneration of Commissioners.

**APPLICATION OF CASINO GAMING LICENCE FEE
(RESPONSE TO QUESTION 17)**

70. I understand that the casino licence fee was a separate line item within the GWC budget and in the GWC accounts, as this fee remained allocated to the GWC to run the GWC.
71. I am aware that the casino gaming licence fee formed part of the GWC's own money.
72. The casino gaming licence fee did not form part of the Department's revenue.
73. I am not aware of how the casino licence fee was applied, except that it forms part of the GWC revenue to fund the business.

**SERVICE FEE TO THE GWC (RESPONSE TO
QUESTIONS 18-29)**

Agreement between the Department and GWC concerning provision of services (Response to Q18)

74. There was no formal agreement between the Department and the GWC concerning the provision of services by the Department to the GWC.

Determination of the service fee provided to the GWC and relevant records (Response to Qs 19-22)

Calculation method 2000 – 2007 or 2008 (Q21):

75. The following is based on my best recollection of the method of calculating the service fee (known to me as the **recoupment fee**) between 2000 and around 2007 or 2008, noting the significant period of time which has passed since then. Also, at the time, it was an Accountant in my team that actually compiled the figures and my understanding was of the process and approach at a concept level. There may, therefore, be some deviations from the process I have described below and the actual process that occurred.
76. Between 2000 and around 2007 or 2008, the Department determined the recoupment fee charged to the GWC or Tribunal by a process of estimating their share of the total cost of non-liquor related services of the Department. The Finance section adopted this approach because the Department did not have an 'Activity Based' model of time recording.
77. At this time there were 'core business' cost centres and 'non-core business' cost centres in the Department.
78. A cost centre is a small team or section within the Department that incurs expenses. Costs centres allow the

Department to monitor and allocate expenses associated with that team within the Department.

79. The 'core business' cost centres separately handled each core business activity, being gaming, racing, casino, and liquor.
80. As a result, the costs which the Department spent servicing each core business activity could be easily determined.
81. In addition, the non-core business cost centres then had to be allocated across the core business cost centres. Non-core business cost centres included Policy and Executive Support, and Corporate Services such as Finance, Human Resources, and Information Technology.
82. The Finance section collected all of the non-core business cost centre data for the Department by providing the following templates to each non-core business cost centre Manager for their completion and return:
 - 82.1 A budget template attaching the budget figures and actual expenses for the immediately preceding year, for the non-core business cost centre Manager to provide their estimates of expenses for the following year as the core business cost centre Managers were also required to complete and return their estimates of expenses for the following year; and

- 82.2 A template for the non-core business cost centre Manager to estimate the percentage of time that the officers within their cost centre spent on each of the core business activities. These estimates were averaged to determine the non-core business cost centres' estimated percentage.
83. Once all non-core business cost centres had provided those estimated percentages of time spent on each core business activity, the Finance section would calculate the overall non-core business average percentage of non-core business activity time spent across each core business activity, excluding liquor.
84. To determine the recoupment fee charged by the Department, the Finance section then applied the average percentage to the total costs of the non-core business costs centre. This resulting figure determined the non-core business allocation cost to each core business activity. The recoupment fee was then calculated by adding this non-core business cost to the core business cost centre amount. The resulting dollar amount was the amount allocated to each business activity for example racing, casino and gaming. The sum of these three activities was the amount charged to the GWC.

Calculation Method 2007 or 2008 to 2017 (Q21):

85. Following restructuring within the Department in approximate 2006 or 2007 cost centres within the Department were merged. Within the relevant Operations Divisions, the cost centres were merged into two Division, being 'Licencing' and 'Compliance'. Within each of those divisions there were a number of different cost centres. However, these new cost centres did not distinguish between the business activities of racing, casino, gaming, and liquor.
86. This made it much more difficult and time consuming to calculate the estimated time spent on each of the business activity within each cost centre. This is because officers and teams within the new cost centres serviced multiple business activities within their role.
87. In around 2006 or 2007 I was involved in discussions with the management team to find a solution for how to determine the recoupment fee, given these issues with identifying time spent on each business activity.
88. It was decided by members of the management team that from that financial year onwards, the following approach would generally be adopted to calculate the recoupment fee:
- 88.1 apply the recoupment fee charged in the immediately preceding year; and

88.2 add consumer price index (CPI) for each year.

89. This approach was subject to there being any significant changes in the scope of activities related to the GWC or the GWC's operational need.
90. The recoupment fee charged by the Department to the GWC does not just cover the Perth Casino. It covers every business activity which the GWC is involved in.
91. Significant changes in the GWC's business activity and the GWC's operational need varied from year to year.
92. This is something that the DG, Mr Sargeant, and I would discuss when we met to discuss the GWC's budget each year. This meeting would occur in approximately February or March of each year. This meeting would also be attended by one Finance section accountant, Mr Connolly, sometimes the Director of Corporate Services, and myself.
93. The budgeted recoupment fee may have been reduced for a particular year if there was a reduced scope of business activities or if Mr Sargeant considered that the GWC was not in a position to pay a recoupment fee based on the method described above.
94. In addition to the general process described above, I am aware of one occasion where a Departmental review of the accuracy of fees and charges resulted

in an increase to the recoupment fee. Further detail of this review is described at paragraphs [106]-[109].

95. For completeness, I note the general process for preparing the estimated revenue for the GWC budget. This process began with an accountant from the Finance section who sought inputs from the Operations Division once a year for details including:

95.1 estimated Casino gaming licence fees;

95.2 estimated recouped fees for the services provided to Lottery West;

95.3 estimated recouped fees for the services provided to the Racing and Wagering Commission of WA; and

95.4 estimated community gaming revenue.

96. The accountant also calculated an estimate of the bank interest revenue for GWC, and further sought input from the Strategic Policy section regarding estimated figure of problem gambling support expenditure. The accountant would then build in all of the estimated details into a draft GWC budget. These estimated details included the estimated recoupment fee.

97. The accountant and I would discuss the draft GWC budget details with the DG and DDG during our annual meeting referred to above. The DG and DDG would then

assess whether the suggested recoupment fee was appropriate.

Information requested or provided (Q22)

98. The calculation method for each year's budgeted recoupment fee is recorded as a summary in the Budget Briefing Paper which was generally provided to the GWC in around March each year.
99. When charging the GWC the recoupment fee, the Department did not provide itemised invoices to the GWC. The amount charged to the GWC was the total recoupment fee divided by 12 (number of months). It was charged by sending a cash payment voucher to the GWC on a monthly basis.
100. If there was a material reduction in the budgeted recoupment fee and the actual recoupment fee close to the year end, a cash payment voucher was sent to the GWC for the amount of the reduction. Attached to this cash payment voucher was a memorandum which explained the reduction to the recoupment fee. This memorandum was prepared by me as the CFO, and then submitted to the DG who would review and approve it. The DG would sign off on this memorandum.
101. A copy of the memorandum was included in the Year-end Financial Statements Working Files of the Department and GWC, so that the external auditors would be able to access and examine it.

102. Any material reduction in the budgeted recoupment fee and the actual recoupment fee was also generally explained in the monthly Financial Report for the month ending 30 June of that year that was provided to the GWC Board.
103. I am not aware of the GWC ever requesting information or explanation relating to how the Department's recoupment fee was calculated.
104. I am not aware of the GWC ever requesting me to reconsider the amount of the recoupment fee applied or that the GWC considered the amount of the fee applied to have been inappropriate.
105. I am not aware of the GWC ever requesting from me information from the Department as to any fees charged for the provision of services to the GWC for casino regulation.

*Review of recoupment of services in 2009
(Response to Q23)*

106. I was not involved in preparing this agenda item as I was on leave at the relevant time in 2009.
107. I was not involved in the "review of fees and services exercise" referred to in this agenda item.
108. I am aware that at one point in time, Mr Sargeant engaged somebody in the role of Acting Director of Corporate Services to undertake an extensive review of the fees

and charges applied by the Department and all related entities.

109. I recall that this review concluded that most of the fees and charges applied by the Department, GWC and the Tribunal were less than a full cost recovery.

110. I was not involved in any process that Mr Sargeant took to satisfy himself that the figure identified following the review was "now a true reflection" of the cost of the services.

*Recoupment fee between 2006 and 2012
(Response to Q24)*

**Variation between budgeted
recoupment fee and actual recoupment
fee:**

111. Generally, in early June each year, the DG, DDG, on occasion the Executive Director Governance and Strategy, an Accountant from the Finance section and I, or the acting CFO if I was away, would have a discussion to review the financial position of the Department and GWC.

112. At this meeting, I would provide the group with the financial reports for the Department and GWC as of 31 May.

113. The financial details included an estimated out-turn (i.e., from 1 June to 30 June) of the financial position, including the Surplus or Loss, and the estimated cash resources (of both reporting entities – the Department and GWC) estimated as of 30 June. This

information would help management to make decisions.

114. The DDG would also generally have details from his Operations Division on the quantity of the licensing approvals, audit/inspections undertaken from July to May of that financial year. These details were shown by the nature of activity, for example, liquor, racing, gaming and casino. This information would generally have been provided as part of the Department's annual budget process in March or April. The DDG was responsible for compiling the KPIs for the Department's and GWC's annual budget which was based on that information.
115. The DDG only then needed to get an estimated quantity of the number of further undertakings for the month of June to have a whole year estimated figures (number of licensing approval, audit/inspections undertaken).
116. Sometimes at these meetings, and based on the information presented, the DG would propose an approximate desired reduction in the budgeted recoupment fee.
117. I would review the information available (for example the total number of actual undertakings, such as licencing and inspection works), to see if they fell short of the estimated level to determine if there were savings resulting from the Operations Division. If there were savings I would then

calculate the reduction of the recoupment fee, in accordance with the discussions and findings identified in that meeting.

118. I would then prepare a memorandum which set out my calculations and submit it to the DG for approval.
119. Once approved by the DG, I would arrange a refund of the recoupment fee from the Department to GWC through a cash payment voucher close to the end of June.
120. As explained above at paragraph [100], it was my usual practice to attach that memorandum (approved by the DG) to the cash payment voucher as support for that payment to GWC.
121. It was also my usual practice to provide an explanation for any variation between the budgeted recoupment fee and the actual recoupment fee in the monthly Financial Report to 30 June of every year.

Leave periods during 2006 to 2015:

122. During the period 2006 to 2012 I might not have always attended the meetings discussing the GWC budget referred to above, as I was often away during this period of the year. In this regard, I note that I was away or not in the role of CFO for the following periods:

122.1 Mid-February 2007 to late April or May 2007 (not in CFO position due to health issues);

122.2 February 2009 to late March 2009
(away for holidays)

122.3 December 2009 to late April or early
May 2010 (not in CFO position due
to health issues);

122.4 November 2011 to February 2012
(on secondment to the Department
of Health); and

122.5 February 2015 to March 2015 (away
on holidays).

2005-2006:

123. In relation to 2005-2006, the GWC Financial report for 30 June 2006 states that there was a saving of \$448,120 in the 'total operating expenses' mainly due to a reduction of the annual recoupment fee.²

124. I recall that in 2006, as part of the process described above, Mr Sargeant indicated that he thought that some money should be returned to the GWC. I recall that Mr Sargeant indicated a figure of around \$400,000 to \$500,000.

125. I undertook the process described above and I recall that the statistics provided by the Operations Division confirmed that as at early June that year the actual services did fall short of the budgeted services.

126. The GWC monthly Financial Report to 30 June 2006 does not provide an

² DLG.0008.0003.5408_5589.

explanation as to the reduction. I would expect that as Chair of the GWC board, Mr Sargeant would have been able to explain the reason for the reduction to the GWC board given his involvement in approving those reductions.

127. I would expect that, in accordance with my usual practice, I would have attached a memorandum with the cash payment voucher which did provide an explanation as to the reduction. Also, it was my usual practice to keep a copy of the memorandum in the Year-end Financial Statements Working Files of the Department and GWC. I no longer have access to the Department's records to ascertain if a memorandum exists.

2011-2012:

128. With regards to 2011-2012, the budgeted recoupment fee was \$4,326,000 and, in my view, the actual recoupment fee was also \$4,326,000.
129. Question 24 in the PCRC list of topics states that the actual recoupment fee for 2011-2012 was \$4,811,000. This figure comes from the Department's 2012 Annual Report under the heading "Net Appropriation Revenues" and against the description "Gaming and Wagering Commission of Western Australia".³ This

³ PUB.0004.0006.0167_0232.

figure includes the recoupment fee and capital expenditure.

130. The Department's Annual Reports do not break down the appropriation from GWC into recoupment fee and capital expenditure. The GWC's monthly Financial Report to 30 June 2012 does provide this breakdown. It states that the actual recoupment fee to GWC was \$4,326,000 and the capital expenditure was \$557,928.⁴ When these figures are added together you reach \$4,884,000.
131. In my view, the figure in the Department's Annual Report should be "4,884,000" as it should include the actual recoupment fee and actual capital expenditure. The figure of \$4,811,000 that is used in the report is in my view incorrect. It may have been that someone entered the incorrect figure and I overlooked this at the time.
132. The budgeted recoupment fee should be compared to the actual recoupment fee, as set out in the GWC's monthly Financial Report to 30 June, which is \$4,326,000.⁵ Comparing the budgeted recoupment fee to the figure in the Department's Annual Report is not comparing 'apples to apples' because the Department Annual Report figure includes a component for capital expenditure whereas the budgeted

⁴ GWC.0002.0016.0063_0396.

⁵ GWC.0002.0016.0063_0396.

recoupment fee in GWC monthly Financial Report does not, as they were shown in two separate line items.

133. The capital expenditure is the amount the Department charged GWC for the GWC's share of the contribution for the information technology acquisitions. It is paid directly from the GWC to the Department.
134. Accordingly, for 2011-2012, based on the GWC monthly Financial Report to 30 June 2012, there was no variation between the budgeted recoupment fee and the actual recoupment fee.
135. I do not recall why there was no variation in this year. Following my usual practice, I expect that I would have met with Mr Sargeant in early June to discuss the Department and GWC's financial position. Generally, where there was no anticipated savings in the Department's overall position there would generally be no reduction in actual the recoupment fee charged to GWC.
136. I expect that this is what happened this year. On review of the Department's Annual Report 2011-2012, I can see there were no anticipated savings in the Department's overall financial position.⁶ This would typically justify not reducing the recoupment fee charged to GWC.

⁶ PUB.0004.0006.0167_0220.

Increase in recoupment fee from 2006 to 2012:

137. Based on the figures explained above, in my view, the actual recoupment fee from ~~2015~~2005-2006 to 2011-2012 increased by 70%.
138. As explained above, the recoupment fee generally increased by at least CPI.
139. During this period I recall that the costs associated with the implementation of the Racing Bets Levy Returns system and the significant increase in lease accommodation and electricity expenses also contributed to increases in the recoupment fee.
140. I did not prepare or deliver the 2010-2011 Budget Briefing Paper as I was away at that time, but I note that it explains that an additional FTE (level 4) was needed for the extra work generated by the Racing Bets Levy Returns system.⁷
141. It also explains that the accommodation and electricity expenses are also factors for the increase of the recoupment fee.
142. I recall that the old office in East Perth was only \$189psm and the new lease that the Department was negotiating was expected to be about \$450psm, an increase of approximately 138%.

⁷ DLG.0001.0010.0007_0007.

143. The Briefing Paper also explains that the electricity expense/payment will significantly increase due to economic factors indicated by the State Government.

144. In addition, during this period the Department conducted a review of its fees and charges (described at paragraphs [108]-[109]), which resulted in an increase in the recoupment fee.

Recoupment fee in 2016 (Response to Qs 25-26)

145. In relation to PCRC questions 25 and 26, the actual recoupment fee for 2015-2016 was the same as the budgeted recoupment fee.

146. For the reasons explained at paragraphs [128]-[134~~143~~] in relation to 2011-2012, the figure of \$4,744,000 used in this question for 2015-2016 as the actual recoupment fee is not, in my view, the correct figure to use because it includes a capital expenditure component.

147. The GWC Financial report to 30 June for 2016 states that the actual recoupment fee was \$4,643,760, being the same as the budgeted recoupment fee. This report also states that the capital expenditure for 2015-2016 was \$100,000.⁸

148. The figure of \$4,744,000 in the Department's 2015-2016 Annual Report

⁸ GWC.0002.0016.0182_0255.

includes both the recoupment fee of \$4,643,760 and capital expenditure of \$100,000.

Decrease in the budgeted recoupment fee from 2016 to 2017:

149. The budgeted recoupment fee decreased by \$577,400, from \$4,643,700 in 2015-2016 to \$4,066,360 in 2016-2017.
150. I recall that for the 2016-2017 budget Mr Sargeant made the decision that the GWC could not afford the fee that the Department had charged in the previous year, and so the 2017 budgeted recoupment fee was reduced for the purpose of sustaining the existence of the GWC.
151. I recall that Mr Sargeant approached me at the time and enquired as to whether a reduction to the recoupment fee to the GWC could be made for that year. I do not recall the specific reduction amount that Mr. Sargeant enquired about. However I recall that Mr Sargeant indicated that he wanted to achieve a 'zero budget', being a budget with neither a surplus nor a loss.
152. I do not recall how these figures were calculated. I recall that Mr Sargeant indicated that the 'zero budget' would be achieved by reference to Departmental redundancies. As CFO I would not have had access to the relevant financial information relating to redundancies to have made those calculations.

153. I note that these matters are addressed in the Briefing Paper to the Chair for the GWC's Budget for 2016-2017 which I signed.⁹

Decrease in actual recoupment fee from 2016 to 2017:

154. For the reasons explained at paragraph [147], the actual recoupment fee in 2015-2016 was \$4,643,760. This was the same as the budgeted recoupment fee for 2015-2016.

155. I am able to verify that the actual recoupment fee for 2016-2017 was \$3,866,000 by reference to the GWC Annual Report for 2017-2018 which includes an attachment detailing the GWC Annual Estimates.¹⁰

156. The reasons for any variation between the budgeted recoupment fee and the actual recoupment fee are generally explained in the GWC's monthly Financial Report to 30 June for that year.

157. I have not had access to a copy of the GWC monthly Financial Report to 30 June 2017 including any Briefing Paper to the Chair.

158. I do not recall why there was a decrease in the budgeted recoupment fee and the actual recoupment fee, but I expect that the

⁹ DLG.0001.0010.0014_0015.

¹⁰ PUB.0002.0001.0526_0585.

usual process described above was followed.

159. I do not recall why there was a decrease in the actual recoupment fee from \$4,643,760 in 2015-2016 to \$3,866,000 in 2016-2017.
160. However, part of the reason for this reduction in the actual recoupment fee can be explained by the \$577,400 decrease in the budgeted recoupment fee from 2015-2016 to 2016-2017.
161. The remainder of the decrease is the decrease from the budgeted recoupment fee in 2016-2017 (\$4,066,360) to the actual recoupment fee in 2016-2017 (\$3,866,000).

Duties, obligations and responsibilities relating to recoupment fee (Response to Qs 27-29)

162. I understood my duty as CFO to be to ensure that the recoupment fee was fair, reasonable, and allowed for the sustainability of the GWC.
163. To the best of my recollection, the recoupment fee was not prepared based on the concept of 'value for money'.
164. While I was employed as the CFO I was never asked by any GWC board member to address the method used to calculate the Department's recoupment fee to the GWC.

CAPITAL EXPENSES – WEB DESIGN (RESPONSE TO QUESTION 30)

165. I am not aware of the nature of this expense as I recall that I was on leave during the relevant period in 2009.

PROBLEM GAMBLING (RESPONSE TO QUESTIONS 31-34)

*Problem Gambling Support Services Committee
(Response to Q31)*

166. I am not aware of any information or advice about financial matters being provided to the Problem Gambling Support Services Committee, except for facilitating payments upon authorisation from the Strategic Policy section.

*Appropriations to Address Problem Gambling
(Response to Qs 32-34)*

**Problem Gambling Support Services
(Q32):**

167. I understand that in approximately 2010 the Department of Communities and Local Government received an allocation of \$2,000,000 and also an allocation of \$500,000 each year relating to the provision of support for problem gambling support services.

168. I am not aware of if or when the administration of the annual payments of \$500,000 ended.

169. I am not aware of how the Department of Communities and Local Government applied those payments apart from a

general awareness that the Department of Communities and Local Government applied the payments in relation to a 'Beyond Gambling' program.

170. I am aware of the payments because the Department received those payments from Treasury and the Department administered the payments to the Department of Communities and Local Government.

171. I recall that in approximately 2010 or 2011 Mark Beecroft (**Mr Beecroft**) approached me about facilitating payment to the Department of Communities and Local Government.

172. Mr Beecroft authorised payment from the Department to the Department of Communities and Local Government. Once Mr. Beecroft had authorised the payment, Finance would make the payment.

Memorandum of Understanding in 2015 (Q33):

173. I am not aware of any Memorandum of Understanding entered into by the Department of Racing, Gaming and Liquor and Department of Local Government and Communities in late 2015 titled "Financial Counselling Services – Metropolitan Area".

Expenses in Annual Report 2016-2017 (Q34):

174. I understand that the sum of \$500,000 identified for "Grants to Individuals Problem Gambling" in the 2017 financial year was

actually the sum of \$500,000 that was redirected to the Department of Local Government and Communities.

175. I do not recall the circumstances which contributed to that description being drafted.

Conflicts of Interest (Q36-38):

176. I do not recall being provided any information about conflicts of interest and how to deal with them while I was employed by the Department.

177. I cannot recall whether the Code of Conduct included conflicts of interest.

178. I did not consider the question of whether there was or may be a conflict of interest in my roles as CFO of the Department and the GWC.

179. In my view I was performing an independent financial role as CFO, providing each reporting entity (i.e. the Department, the GWC, and the Tribunal) with suitable financial services. I was not engaged in a core business which was regulatory in nature, which I understand would be more prone to potential conflicts of interests.

180. As the CFO within the Department, I was deemed to be the CFO of the GWC.

181. I accept that I was not fully independent, as my decisions relating to the Department would impact GWC; and my decisions

relating to GWC would impact the Department.

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

183. As explained above, the Department undertook a process annually to ensure that any relevant share of the anticipated savings in the Department's actual result were passed on to GWC and the Department never charged a recoupment fee that was above the budgeted recoupment fee.

184. For this reason, I do not consider that I had any conflicts of interest while I was employed by the Department.

185. I have read the contents of this my witness statement and the documents referred to in it and I am satisfied that it is correct and that this is the evidence in-chief which I wish to give at the trial of the proceeding.

Contains sensitive information

Signed: _____

Dated: _____

03/09/2021

Witnessed at _____

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On

 at

By