

Compliance directors' duties in the wake of the 'Star' case

Anurag Kanwar

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What governance leaders should learn from Australia's most visible casino governance failure

The collapse in regulatory confidence surrounding *Star Entertainment Group* has become one of the most significant governance lessons for Australian boards in recent years. While public attention focused on the casino industry, the underlying issue was far broader - directors' duties, compliance oversight, and the consequences of weak governance cultures.

For leaders in regulated sectors *such as higher education*, the case provides a clear reminder that compliance oversight is not an operational detail - it is a core responsibility of the board.

The crisis at Star emerged from investigations into failures in anti-money laundering controls, governance oversight, and board accountability. The inquiry led by Adam Bell concluded that the company was not suitable to hold a casino licence, citing systemic governance failures.

Pattern of behaviour

The findings revealed a pattern of behaviour in which risks were known internally but not escalated effectively, compliance concerns were minimised, and the Board relied too heavily on management assurances. In governance terms, this was not merely a compliance lapse - it was a *failure of oversight*.

Directors' duties in Australia are clearly articulated in the Corporations Act 2001. Directors must act with care and diligence, act in good faith in the best interests of the company - and avoid improper use of their position or information. These obligations extend directly to the oversight of risk and regulatory compliance.

Directors therefore cannot simply say that compliance is management's responsibility. Boards must ensure that effective systems exist to identify, monitor, and manage regulatory risk.

Failure to identify issues

This principle was reinforced in the landmark case *ASIC v Healey (2011)*, where directors were found responsible for failing to identify errors in financial statements. The court made it clear that directors are expected to understand the documents and risks presented to them.

One of the most important lessons from the Star case is that compliance failures rarely occur suddenly. They typically develop gradually when warnings are ignored, issues become

normalised, and regulators are viewed as obstacles rather than governance partners. Over time, these conditions create a culture in which risk is tolerated rather than addressed.

Lessons apply across all regulated industries

Although the Star case arose in the gaming sector, its lessons apply across regulated industries. Regulators increasingly expect boards to demonstrate active oversight of risk frameworks, meaningful engagement with compliance data, and clear accountability for regulatory obligations. In Higher Education, these expectations are reflected in the Higher Education Standards Framework (Threshold Standards) 2021.

Effective boards approach compliance differently. They demand evidence rather than assurances, they challenge management constructively, and they monitor organisational culture. They also ensure that compliance functions are properly resourced and able to report concerns independently.

Ultimately, the Star case reminds directors that compliance is not simply about avoiding penalties. It is about demonstrating responsible governance. When oversight fails, the consequences can include regulatory intervention, reputational damage, and loss of public trust.

For directors across regulated sectors, the message is clear: compliance oversight is central to the duty of care and cannot be delegated away.

Anurag Kanwar is a legal practitioner and governance professional based in New South Wales, Australia - and a fellow of the *Institute of Managers and Leaders* (IML) and the *Risk Policy Institute of Australia* (RPIA). She is also a member of the CQ Advisory Board.