



Crown
Melbourne
Limited

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and



Victorian Commission for
Gambling and Liquor Regulation



This document must be read in conjunction with Crown Melbourne Limited's (Crown) Introductory Chapter Internal Control Statement (Introductory Chapter).

1. Core Principle

The objectives of this Internal Control Statement are:

- 1.1 To ensure the integrity of gaming activity and the accurate reporting of monthly Gross Gaming Revenue for the purpose of calculating taxes and fees payable by Crown.
- 1.2 To ensure the security and accountability of gaming cheques and gaming vouchers through the operation of an efficient and effective Revenue Audit function.
- 1.3 To complement the provisions of s 68 of the *Casino Control Act 1991* (Vic) (**Act**)
- 1.4 To satisfy the requirement of s 122 (1) (q) of the Act.
- 1.5 To ensure the application and documentation of effective processes and procedures for the establishment and use of patron deposit taking bank accounts.

2. Minimum Standards & Controls

Minimum standards and controls are intended to manage risks identified in the Risk Assessment Matrix and support the above-mentioned core principles.

Implementation of the minimum standards and controls will be expressed through documented procedures as described in the Introductory Chapter.

In respect of this Internal Control Statement, the Minimum Standards and Controls are:

- 2.1 The application of structured documented processes for:
 - 2.1.1 The compilation and reporting of monthly Gross Gaming Revenue;
 - 2.1.2 The independent verification and approval of monthly reported Gross Gaming Revenue;
 - 2.1.3 The segregation of responsibility for the maintenance and storage of gaming vouchers and gaming cheques;



Revenue Audit and Reporting

- 2.1.4 The establishment of patron deposit taking bank accounts; and
 - 2.1.5 The use of patron deposit taking bank accounts;
 - 2.1.6 The transfer of patron funds into patron deposit taking accounts.
 - 2.2 Independent review and authorisation process for gaming vouchers and gaming cheques; and
 - 2.3 Independent review of variances and other irregularities.
- 3 Patron Deposit Taking Bank Accounts**
- 3.1 As required, for the establishment of patron deposit taking bank accounts, Crown will:
 - 3.1.1 Obtain prior approval from the Victorian Commission for Gambling and Liquor Regulation (**VCGLR**) for patron deposit taking bank accounts held within the state of Victoria for the use of bank transactions arising under the Act, pursuant to s 123(a) of the Act; and
 - 3.1.2 Provide the VCGLR notification of any Interstate or Overseas patron deposit taking bank accounts.
- 4. Reporting**
- 4.1 Reporting of monthly Gross Gaming Revenue to the VCGLR. ⁽¹⁾
 - 4.2 Reporting of the interim monthly Gross Gaming Revenue to the VCGLR by the 25^h day of each month. ⁽²⁾
 - 4.3 Notification of Electronic Gaming Machines Daily Revenue Audit adjustments to the VCGLR, as required.
 - 4.4 Crown will provide the VCGLR notification of new patron deposit taking bank accounts as outlined in section 3.

Notes:

- (1) Pursuant to the *Casino (Management Agreement) Act 1993 (Vic)* resultant taxes/fees are to be paid within seven (7) days following the end of each month or where the seventh (7th) day is not a business day, the next business day.



Revenue Audit and Reporting

(2) Where the twenty-fifth (25th) day is not a business day, the next business day.

5. Audit

5.1. Audit and reconciliation of gaming activity as follows:

5.1.1 Master Gaming Report;

5.1.2 Casino Cage, Main Bank, Cheque Bank and Chip Bank;

5.1.3 Electronic Gaming Machines:

(a) Reconciliation of cashless transactions (EzPay) to DACOM Electronic Gaming Machine meters (EzPay Balancing Report);

(b) Review of Electronic Gaming Machines Revenue Bonus Meter Balancing Report;

(c) Reconciliation of cashless deposits and withdrawals (EzPay) to Main Bank Close Out Sheet(s); and

(d) Reconciliation of patron liability (EzPay Balancing Report) to Patron Balancing Report (EzPay).

5.1.4 Table Games Jackpot Systems:

(a) Reconciliation of jackpots entered into the prize meter system as per the Activity Log to Table Games Jackpot Forms; and

(b) Maintenance of a spreadsheet to record the movements in jackpot pools and balances, as per daily Summary Reports.

5.1.5 Fully Automated and Semi-Automated Table Games:

Reconciliation of Fully Automated and Semi-Automated Table Games Cash-Outs recorded on the Master Gaming Report against physical Cash-Out Slips recorded on the Main Bank Close Out Sheet.

5.1.6 Poker Pro System:

Reconciliation and review of Poker Pro data as required.



Revenue Audit and Reporting

- 5.1.7 Creation of an audit trail through the maintenance of a log to monitor the movement of gaming cheques and gaming vouchers.
- 5.2 Audit and reconciliation of gaming activity will be conducted at a frequency that will ensure accurate reporting of monthly Gross Gaming Revenue for calculating taxes and fees payable by Crown.



**Risk Assessment
Revenue Audit and Reporting**

(a) Risk Assessment Matrix

The following matrix identifies and evaluates risks inherent in the Revenue Audit and Reporting process as follows:

- C = Critical
- H = High
- M = Medium
- L = Low

Minimum standards and controls have been identified which address each risk.

| Risk | Inherent Risk Rating | Minimum Standards and Controls | | | | | | | | | |
|---|----------------------|--------------------------------|-----|-----|---|-----|-----|-----|-----|-----|-----|
| | | 2.1 | 2.2 | 2.3 | 3 | 4.1 | 4.2 | 4.3 | 4.4 | 5.1 | 5.2 |
| Incorrect reporting of Gross Gaming Revenue to Victorian Commission for Gambling and Liquor Regulation | M | X | | X | | | | X | | X | X |
| Integrity and honesty of gaming operations compromised (e.g. variances, discrepancies and other irregularities not detected by relevant department management) ⁽¹⁾ | M | X | | X | | X | X | X | | X | X |
| Theft or unauthorized use of gaming cheques/gaming vouchers held by Revenue Audit. | M | X | X | X | | X | | | | X | X |
| Crown Bank Account (Victoria) is established without being approved by the VCGLR | L | X | | | X | | | | X | | |
| Failure to notify the VCGLR of a Crown Bank Account (Interstate of Overseas). | L | X | | | X | | | | X | | |
| Incorrect use of Crown Bank Accounts | L | X | | | | | | | | | |



Risk Assessment Revenue Audit and Reporting

(b) Inherent Risk Rating

Using the principles of AS/NZS 31000:2009 the inherent risk rating has been determined based upon the likelihood of the event occurring and the impact of the occurrence (in the absence of any controls). The inherent risk rating is the product of the likelihood and impact.

| Event | Likelihood 1 | Impact 2 | Inherent Risk Rating 3 |
|---|-----------------|-------------|---------------------------|
| Incorrect reporting of Gross Gaming Revenue to the Victorian Commission for Gambling and Liquor Regulation | 3 | 2 | M |
| Integrity and honesty of gaming operations compromised (e.g. variances, discrepancies and other irregularities not detected by relevant department management) ⁽¹⁾ | 3 | 2 | M |
| Theft or unauthorised use of gaming cheques/gaming vouchers held by Revenue Audit. | 3 | 2 | M |
| Crown Bank Account (Victoria) is established without being approved by the VCGLR | 1 | 3 | L |
| Failure to notify the VCGLR of a Crown Bank Account (Interstate or Overseas). | 2 | 3 | L |
| Incorrect use of Crown Bank Accounts | 2 | 3 | L |

Notes

- (1) Minimum Standards and controls for the detection and follow up of variances, discrepancies and other irregularities by relevant department management are contained in department Internal Control Statements (e.g. Table Games Operations, Gaming Machines Operations, Cage Operations, Count Rooms and Drop Box, Drop Bucket and Note Stacker Collection etc).

1. Refer Table A below
2. Refer Table B below
3. Refer Table C below

Internal Control Statement Version 4.0

VCGLR Approved Day Month Year

6

COMPLIANCE_469073.1



Victorian Commission for
Gambling and Liquor Regulation



**Risk Assessment
Revenue Audit and Reporting**

Table A – Measure of Likelihood

For each risk identified, the likelihood of the risk occurring within the next 12 months must be determined in the context of existing controls.

| | <u>RARE</u> (1) | UNLIKELY (2) | POSSIBLE (3) | LIKELY (4) | ALMOST CERTAIN (5) |
|--|---|--|--|---|--|
| % or expected timeframe | Less than 5% (less than every 20 years) | 5% to 20% (within 5 to 20 years) | 20% to 50% (within 2 to 5 years) | 50% to 75% (within 18 to 24 months) | 75% to 100% (within 12 to 18 months) |





**Risk Assessment
Revenue Audit and Reporting**

Table B – Measure of Impact

For each risk identified the consequence of the risk, occurring must be determined in the context of Crown Melbourne’s Key Result Areas as follows:

| | INSIGNIFICANT (1) | MINOR (2) | MODERATE (3) | MAJOR (4) | SEVERE (5) |
|------------------------------|--|---|--|--|---|
| Finance (EBITDA) | Financial loss outside normal trading and/or adverse to the current (normalised) forecast up to \$1M | Financial loss outside normal trading and/or adverse to the current (normalised) forecast between \$1M and \$5M | Financial loss outside normal trading and/or adverse to the current (normalised) forecast between \$5M and \$10M | Financial loss outside normal trading and/or adverse to the current (normalised) forecast between \$10M and \$20M | Financial loss outside normal trading and/or adverse to the current (normalised) forecast in excess of \$20M |
| Reputation /Brand | No impact on Investor Confidence / Brand Issue of individual/ Department significance No adverse external criticism or publicity | Isolated impact on Investor Confidence (<2% sustained share price relative to market)/ Brand Issue of company /property significance - Event/incident broadcast on local radio only or localised social media Criticism/isolated complaints by directly affected customers Public opinion of Crown unlikely to be affected | Some impact on Investor Confidence (2% to 5% sustained share price relative to market) / Brand. Event/incident broadcast on local (State) media or isolated national media broadcast Trending complaints, social media focus General public likely to view Crown’s action(s) as questionable, temporarily affecting the perceived integrity of Crown (pub test) | General impact on Investor Confidence (5% to 10% sustained share price relative to market)/ Brand. Sustained broadcast of event/incident broadcast on national media General public likely to view Crown’s action(s) as inappropriate, affecting the perceived integrity of Crown (pub test) | Widespread impact on Investor Confidence (>10% sustained share price relative to market)/ Brand Sustained broadcast of event/incident on international media Loss of public confidence in Crown. General public likely to view Crown’s action(s) as a misuse of its licence to operate (pub test) |



**Risk Assessment
Revenue Audit and Reporting**

| | | | | | | |
|--------------------------------|--|--|---|---|---|--|
| Compliance / regulatory | <p>Potential non-compliance or program/ policy/ internal control issue requiring internal reporting only – no remedial action required</p> | <p>Perceived or actual non-compliance that may require external reporting. Internal remediation and potential internal action against staff. No regulator action. No impact to the relationship with regulators.</p> | <p>Perceived or actual breach triggering external reporting or civil action by an individual Potential regulatory monitoring and/or relationship with regulator temporarily impacted operationally.</p> | <p>Failings in corporate culture Perceived or actual breach triggering regulator monitoring or intervention, or civil action by a corporate Relationship with regulator is damaged requiring direct involvement from Executives and Directors. ASX disclosure made.</p> | <p>Systemic failings in corporate culture Perceived or actual breach triggering restriction or loss of critical gaming/liquor licence(s), class action or criminal sanction against Crown or its officers. Potential or actual permanent damage to relationship with regulator ASX disclosure made.</p> | |
| | People | <p>Minor injury No impact on culture and staff performance No loss of staff Union involvement</p> | <p>Significant injury requiring medical assistance Minimal impact on staff or overall culture. No or minimal loss of staff Union escalation of a single matter (legal action)</p> | <p>Serious injury requiring hospitalisation. Isolated impact on productivity and staff turnover (<5%) Impact on the culture of directly affected operational department Union activism</p> | <p>Permanent disability /measurable increase in stress related issues. Sustained staff turnover/unplanned absence (5-30%) – including some key management Impact on the culture and performance of staff throughout a property Industrial action or targeted organised campaign by nominated union</p> | <p>Fatality(ies) Sustained high level of staff and key management turnover/unplanned absence (30%+) Impact on the culture and performance of staff across multiple properties Strike or widespread organised campaign by relevant unions</p> |
| | | Customers / Patrons | <p>Negative event with no or minimal impact to patrons (<1% segment, <1000 or <\$4M in revenue)</p> | <p>Negative event with impact to 1% to 5% of or 1,000 to 5,000 patrons of a segment type, or \$20M in revenue</p> | <p>Negative event with impact to 5% to 20% of or 5,000 to 20,000 patrons of a segment type, or \$40M in revenue</p> | <p>Negative event with impact to 20% to 50% of or 20,000 to 50,000 patrons of a segment type or \$100M in revenue</p> |





**Risk Assessment
Revenue Audit and Reporting**

| | | | | | |
|-----------------------|---|---|--|--|--|
| Infrastructure | <p>No damage to FOH. BOH issue managed within existing resources or contracts</p> <p>Loss of key system for up to 2 hours</p> | <p>Damage to FOH can be isolated and not impact services.</p> <p>No critical infrastructure impacted</p> <p>Loss of key system for up to 8 hours.</p> | <p>Unplanned loss of up to 3 F&B outlets, up to 50% of one hotel, or up to 10% of gaming floor for less than 24 hours.</p> <p>Repairable loss to critical infrastructure for up to 24hr</p> <p>Loss to multiple systems, core infrastructure or key system for up to 24 hours.</p> | <p>Unplanned loss of up to 1 hotel or 50% F&B; or up to 25% of the gaming floor for up to 48 hours.</p> <p>Loss of critical infrastructure, for up to 48hrs</p> <p>Recoverable loss to multiple systems, core infrastructure or key system for up to 48 hours.</p> | <p>Unplanned loss of more than 25% of gaming floor; or loss of >50% F&B or 1 hotel for over 48 hrs</p> <p>Recoverable loss to key/multiple systems or core infrastructure for over 48hrs</p> <p>Irrecoverable critical data loss.</p> |
| | Strategy / Business Sustainability | <p>An event, the impact of which can be absorbed through normal activity</p> <p>Delay to short term strategic objectives</p> | <p>An event that can be absorbed but management effort is required to minimise the impact</p> <p>Limited to single area of the business</p> <p>Ability to deliver short term strategy impacted</p> | <p>An event which can be managed under normal circumstances with significant management effort</p> <p>Impact to multiple areas of the business</p> <p>Ability to deliver short to medium term strategy impacted.</p> | <p>CMT/EMT activated</p> <p>Impact to widespread areas of business, significant mobilisation of resources and significant management intervention required</p> <p>Inability to deliver on medium to long term strategy</p> <p>Change in investment ownership</p> |





**Risk Assessment
Revenue Audit and Reporting**

Table C – Risk Analysis – Level of Relative Risk

| Likelihood / Impact | | Insignificant 1 | Minor 2 | Moderate 3 | Major 4 | Severe 5 |
|---------------------|---|--------------------|------------|---------------|------------|-------------|
| Almost Certain | 5 | M | H | H | C | C |
| Likely | 4 | L | M | H | H | C |
| Possible | 3 | L | M | H | H | C |
| Unlikely | 2 | L | L | M | M | H |
| Rare | 1 | L | L | L | M | M |

C = Critical
 H = High
 M = Medium
 L = Low