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## RISK & ASSURANCE MEMORANDUM

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Copy: Alan McGregor  
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From: Anne Siegers

Date: 3 April 2018

Subject: **Review of Junket and Premium Player Program Processes and Procedures**

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Attached is an audit report in respect of the review of Junket and Premium Player Program Processes and Procedures. The audit was completed as part of Crown Melbourne's F18 Internal Audit Plan.

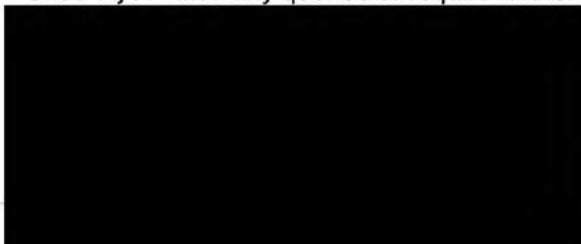
The overall audit rating of the report is "Satisfactory" with the following Significant finding identified:

- Internal Audit (in conjunction with Gaming Audit) completed verification of a random sample of 15 Junket and Premium Player programs on 27 February 2018. Internal Audit identified 11 issues with program documentation.

A meeting was held on 5 March 2018 by Compliance with relevant department General Managers to reinforce the requirement that Junkets and Premium Player Programs documentation is complete, legible and accurate.

Internal Audit is satisfied that Junket and Premium Player Programs are conducted in accordance with internal processes and procedures for the conduct of Program activity, ensuring integrity and transparency.

Should you have any queries or require further information please contact me on Ext. 7518.



## Review of Junket and Premium Player Program Processes and Procedures

### 1. Scope

- To review processes for the initiation, monitoring and recording of Junket and Premium Player Program play, ensuring the integrity and transparency of Program activity.
- The review was conducted as follows:

- Observation of key processes
- Review of documentation
- Discussion with key personnel including:

Michelle Fielding	Group General Manager Regulatory & Compliance
Louise Lane	Group General Manager Anti-Money Laundering
Justin Butler	Manager Program Compliance
Karyn Barbati	Gaming Audit Co-Ordinator
Scott Howell	Cash Transactions Reporting Manager
Sam Brown	Commercial Analyst

Internal Audit would like to thank the above staff for their cooperation and assistance throughout the audit.

### 2. Background

- Crown Melbourne's brand / reputation may be compromised should Junket Program activity be linked to unethical or criminal conduct. Accordingly, internal processes and procedures for conduct of Junket Program activity must ensure integrity and transparency.
- In December 2017 the VCGLR determined that Crown had contravened section 121(4) of the Casino Control Act on 13 occasions as a result of non-compliance with the Junket and Premium Player Program Internal Control Statement. Crown was fined \$150,000 by the VCGLR for the breaches that occurred. Subsequent to the infringement letter, Compliance issued a memorandum to all relevant departments reinforcing the requirement that Junkets and Premium Player Programs documentation is complete, legible and accurate in line with the Internal Control Statement.
- Regulatory requirements for the initiation, monitoring and recording of Junket Program play are contained in the following:
  - VCGLR approved Internal Control Statement (ICS) "Junkets & Premium Player Programs (including introduction of Players)" and supporting Standard Operating Procedures. A proposed draft version 11.0 is currently under review by the VCGLR, Internal Audit has utilised version 10.0 for the purposes of the review.
  - *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth) and pursuant to the above; Crown Melbourne's Anti Money Laundering / Counter Terrorism Financing Program.
  - Relevant department procedures.

- Internal processes and procedures for the review of Junket Program activity is pursuant to Crown Melbourne's Anti Money Laundering / Counter Terrorism Financing Program. This audit report should be read in conjunction with the above.
- Monthly audits of junkets and Premium Player Program documentation are completed by gaming Audit. Where applicable, audit work completed by Gaming Audit was utilised by Internal Audit.

### **3. Executive Summary**

- Subject to the resolution of audit issues highlighted, the ongoing completion of assurance activities identified below and based on audit work performed, Internal Audit is satisfied that Junket and Premium Player Programs are conducted in accordance with internal processes and procedures for the conduct of Program activity, ensuring integrity and transparency.
- Assurance activities in respect of Junket Program activity were identified by Internal Audit as follows:
  - Cyclical compliance audit (completed by Internal Audit: last completed F16 next scheduled F19) of VCGLR approved Internal Control Statement "Junkets & Premium Player Programs (including introduction of Players)" (also subject to cyclical audit by Crown Melbourne's external auditor and the VCGLR).
  - Cyclical compliance audit (completed by Internal Audit: last completed F16 next scheduled F18) of Crown Melbourne's Anti Money Laundering / Counter Terrorism Financing Program (also subject to periodic audit by Crown Melbourne's external auditor and AUSTRAC compliance assessment scheduled for F18).
  - Cash Transactions Reporting Manager spot audits (subject to cyclical Internal Audit review: last completed F16, next scheduled F18) pursuant to Crown Melbourne's Anti Money Laundering / Counter Terrorism Financing Program.
  - Cyclical audit of Cheque Cashing and Credit Facilities Internal Control Statement (completed by Internal Audit during F18, the audit rating was Good).
  - Monthly audits of Junket Programs (completed on a test basis by Gaming Audit and external auditors respectively), to ensure that the requisite paperwork is present and Junket Program Agreements have been signed by relevant parties.
- Where no corresponding assurance activity was identified, or assurance activity deemed insufficient given Internal Audit scope, additional audit work was completed to determine compliance with internal processes and procedures for the conduct of Junket Program activity.

### **Commercial Approval**

- Internal Audit verified the process required for a Junket Program to be granted commercial approval. Internal Audit tested one recent approval and ensured all relevant documentation was obtained and filed appropriately before commercial approval was given. No exceptions noted.
- Internal Audit ensured Junket Approval checklist contains all relevant documentation required in line with Crown Melbourne processes and procedures. No exceptions noted.

### **Junket Register Review**

- Manager Program Compliance completes six monthly reviews of the Junket Register to ensure compliance with process and procedural requirements. Internal Audit sighted the Junket Register as at 28 February 2018 to ensure all required information is maintained including:
  - Patron name
  - Notification to the VCGLR of Junket Operator details
  - Patron Syco ID number
  - Junket operator ABN
  - Junket Operator visitation to an Australian Crown property (required every 2 years)

No exceptions noted.

#### **Junket Player Identification**

- Internal audit selected a Junket player at random and reviewed surveillance footage from 4 March 2018 to ensure the player presented their Junket Card, as Crown gaming staff only accept bets from identified junket players. No exception noted.

#### **Gaming Audit Monthly Spot Audits**

- Review of Gaming Audit monthly spot audits (13 audits) of randomly selected Junket Program documentation for the period January 2017 – January 2018 noted audit results, as follows:
  - Legibility of employee ID numbers written on Junket Program Agreements and settlement sheets remains an ongoing issue.
  - Completeness of key players identified in Junket Program Agreements has improved significantly and will continue to be closely monitored and addressed by Gaming Audit and VIP Gaming management.

#### **Internal Audit Spot Audit**

- In addition to Gaming Audit work above, Internal Audit (in conjunction with Gaming Audit) completed verification of a random sample of 15 Junket and Premium Player programs on 27 February 2018. Internal Audit identified 11 issues with program documentation including:
  - Failure to sign by a required Crown representative
  - Failure to record employee ID number
  - Employee ID number not legible


If these issues identified are not rectified Crown could be subject to further financial penalties, if another VCGLR audit is performed.

- Internal Audit recommended that Compliance reinforce the requirement that Junkets and Premium Player Programs documentation is complete, legible and accurate. A meeting was held on 5 March 2018 by Compliance with relevant department Executive and General Managers to reinforce these requirements and identify potential alternatives, as follows:
  - Internal Audit noted that per the submission of the latest ICS draft 11.0 to the VCGLR, Junket and Premium Player Agreements will be a document between Crown and the patron and the VCGLR's source of information will be from Syco.

- Compliance have also proposed that relevant forms will be given a drop box for employees to type their employee ID number prior to printing the form to mitigate the risk of illegible handwriting.

- Detailed audit findings and recommendations are documented at Appendix 1. All recommendations have been discussed with management and management comments documented.

#### **4. Conclusion**

- **Overall Audit Rating:** Satisfactory
  - Subject to the resolution of audit issues highlighted, the ongoing completion of assurance activities identified below and based on audit work performed, Internal Audit is satisfied that Junket and Premium Player Programs are conducted in accordance with internal processes and procedures for the conduct of Program activity, ensuring integrity and transparency.
  - Despite the overall adequacy of the control framework, the audit rating is "Satisfactory" due to recent VCGLR activity and focus in relation to documentation adequacy and the potential financial impact further issues will have on Crown Melbourne.
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## Appendix 1 – Audit Recommendations

Audit Findings	Audit Finding Rating	Recommendations	Management Comments	Target Action Date	Responsibility
<p><b>Internal Audit Spot Audit</b></p> <p>In addition to Gaming Audit work above, Internal Audit (in conjunction with Gaming Audit) completed verification of a random sample of 15 Junket and Premium Player Programs on 27 February 2018. Internal Audit identified 11 issues with program documentation including:</p> <ul style="list-style-type: none"> <li>– Failure to sign by a required Crown representative</li> <li>– Failure to record employee ID number</li> <li>– Employee ID number not legible</li> </ul> <p>If these issues identified are not rectified Crown could be subject to further financial penalties, if another VCGLR audit is performed.</p>	Significant	Internal Audit recommended that Compliance reinforce the requirement that Junkets and Premium Player Programs documentation is complete, legible and accurate.	<p>A meeting was held on 5 March 2018 by Compliance with relevant department General Managers to reinforce these requirements and identify potential alternatives, as follows:</p> <ul style="list-style-type: none"> <li>– Internal Audit noted that per the submission of the latest ICS draft 11.0 to the VCGLR, Junket agreements will be a document between Crown and the patron and the VCGLR's source of information will be from Syco.</li> <li>– Compliance have also proposed that relevant forms will be given a drop box for employees to type their employee ID number prior to printing the form to mitigate the risk of illegible handwriting.</li> </ul>	Actioned	Michelle Fielding

## Appendix 2 – Impact of Audit Findings

### Impact of Audit Findings

This rating is provided to each audit finding raised, and is a measure of the impact the finding may have, or has already had, on the business.

Audit Finding Risk Rating	Financial Impact	Control Impact	Reputation Impact	Customer Service Impact
<b>Fundamental</b>	Greater than \$2,000,000	<ul style="list-style-type: none"> <li>Basic, supervisory and/or monitoring controls are inadequate and require urgent attention.</li> <li>Fraud has occurred.</li> <li>Instances of material non-compliance with key Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Profound influence on Crown Melbourne's reputation.</li> <li>Potential for significant levels of adverse media attention.</li> </ul>	Inability to provide adequate levels of customer service for a sustained period.
<b>Material</b>	Between \$500,000 and \$2,000,000	<ul style="list-style-type: none"> <li>Basic, supervisory and/or monitoring controls are inadequate and require prompt attention.</li> <li>Fraud has occurred.</li> <li>Potential for instances of material non-compliance with key Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Significant influence on Crown Melbourne's reputation.</li> <li>Potential for adverse media attention.</li> </ul>	Substantial interruption and delays in customer service causing significant inconvenience to customers.
<b>Significant</b>	Between \$50,000 and \$500,000	<ul style="list-style-type: none"> <li>Basic, supervisory and/or monitoring controls are inadequate and require management attention.</li> <li>High potential for fraud.</li> <li>Instances of non-compliance with key Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Moderate influence on Crown Melbourne's reputation.</li> <li>Potential for minor levels of media attention.</li> </ul>	Services are unable to be provided for a period of time causing moderate inconvenience.
<b>Moderate</b>	Up to \$50,000	<ul style="list-style-type: none"> <li>Basic, supervisory and/or monitoring controls are operating as intended, recommendations for improvement to strengthen control.</li> <li>High potential for fraud.</li> <li>Instances of non-compliance with Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Moderate influence on Crown Melbourne's reputation.</li> <li>Potential for minor levels of media attention.</li> </ul>	Minor inconveniences for customers in the delivery of services.
<b>Minor</b>	Increase in administration costs not budgeted for.	<ul style="list-style-type: none"> <li>Basic, supervisory and/or monitoring controls are operating effectively.</li> <li>A process improvement opportunity.</li> </ul>	<ul style="list-style-type: none"> <li>Minimal influence on Crown Melbourne's reputation.</li> </ul>	Minimal reduction in the level of customer service provided.

