



21 May 2021

By email: [REDACTED]

Catherine Myers
Chief Executive Officer
Victorian Commission for Gambling and Liquor Regulation
Level 3, 12 Shelley St
RICHMOND VIC 3121

Copy to: Mr Scott May, Director Legal Services & General Counsel Legal Services

Confidential

Dear Ms Myers,

The Deloitte Forensic Review into Crown Patron Accounts and Associated Controls

The purpose of this letter is to advise the Victorian Commission for Gambling and Liquor Regulation (**Commission**) of the progress of a forensic review being undertaken by Deloitte into the Crown bank accounts used by patrons (customers) to deposit or withdraw funds (**Patron Accounts**) and their associated controls (**Deloitte Review**). This letter provides an overview of the Deloitte Review, and encloses the Deloitte engagement letter and reports on the first phase of Deloitte's review.

Introduction

- 1 The Crown Resorts Board engaged Deloitte on 22 February 2021 to conduct a forensic review of Crown's bank accounts in response to the recommendations made by Commissioner Bergin in the ILGA Inquiry that Crown undertake a 'full and wide-ranging forensic audit of all their accounts to ensure that the criminal elements that infiltrated [the Southbank Investments Pty Ltd (**Southbank**) bank accounts] and [the Riverbank Investments Pty Ltd (**Riverbank**) bank accounts] have not infiltrated any other accounts' and 'build strong barriers against such infiltration with certification to the satisfaction of [ILGA]'.¹

¹ Commissioner Bergin, Report of the Inquiry under section 143 of the *Casino Control Act 1992* (NSW), 1 February 2021 (Vol 2), p569, [15] and [16].



- 2 The Southbank and Riverbank bank accounts were a type of Patron Account and were closed in late 2019. Burswood Nominees Limited (**Crown Perth**), Crown Melbourne Limited (**Crown Melbourne**) and Crown Sydney Gaming Limited (**Crown Sydney**) hold Patron Accounts (together, the **Current Patron Accounts**), noting that Crown Sydney's Patron Accounts have not yet been used to receive or disburse funds to patrons.
- 3 To mitigate the risk of these accounts being used to facilitate money laundering or terrorism financing, Crown implemented a number of transaction monitoring and account access controls over its Current Patron Accounts. These transaction monitoring and account access controls are designed to prevent and detect cash deposits, structuring and, save for in exceptional circumstances, transfers to and from the account by persons other than patrons (**Patron Account Controls**).
- 4 The Deloitte Review is divided into the following three phases:
 - (a) **Phase 1** assessed the design and operating effectiveness of the Patron Account Controls. Phase 1 was commissioned to be completed sooner than phases 2 and 3 to ensure the Crown Resorts Board were provided with comfort as soon as possible that the Patron Account Controls appropriately mitigate the risk of Crown's Patron Accounts being used to facilitate transactions similar to those identified by Grant Thornton (**GT**) and Initialism in their reports dated November 2020 in relation to the Riverbank and Southbank accounts (**GT and Initialism Reports**).

The review period for Phase 1 was 1 December 2020 (the date by which most of the Patron Account Controls were introduced) to the date of commencement of Deloitte's engagement, being 22 February 2021 (the **Review Period**).

- (b) **Phase 2** of the Deloitte Review is ongoing and will confirm whether there are any transactional patterns or behaviours indicative of any money laundering typologies through historic or current Patron Accounts, including but not limited to the typologies identified in the GT and Initialism Reports. This phase will provide the Crown Resorts Board and Commission with full visibility as to:
 - i. whether there were other transactional patterns or behaviours indicative of money laundering through the Riverbank or Southbank accounts not identified in the GT and Initialism Reports; and
 - ii. the extent to which any other Patron Accounts (including the Current Patron Accounts) may have been infiltrated by criminal elements.

The review period for this Phase is 22 February 2014 to 22 February 2021.

- (c) **Phase 3** will assess Crown's broader control framework and whether it appropriately mitigates the risk of any transactions similar to those identified in Phase 2 continuing to occur through the Current Crown Patron Accounts. Phase 3 also assesses Crown's controls in relation to ongoing customer due diligence (including Crown's current transaction



monitoring program as applicable to the Patron Accounts) and enhanced customer due diligence.

Deloitte Phase 1

- 5 Deloitte has completed its assessment of the design effectiveness and the operating effectiveness of Crown's Patron Account Controls.
- 6 The Patron Account Controls in Phase 1 specifically comprised:
 - (a) controls over electronic funds transfers to and from the Current Patron Accounts;
 - (b) controls over deposits into and withdrawals of cash from the Current Patron Accounts; and
 - (c) Crown's current transaction monitoring program insofar as it applied to Current Patron Accounts.
- 7 I enclose the Deloitte engagement letter dated 22 February 2021 (as varied on 19 March 2021) and the following documents for Phase 1 of the Deloitte Review, completed in accordance with the engagement letter:
 - (a) Deloitte's report dated 26 March 2021 setting out the findings of phase 1 of its review, which has focussed on the current controls in place in relation to Crown's Patron Accounts (**Phase 1 Report**);
 - (b) Crown's response to Deloitte's Phase 1 Report, dated 9 April 2021 (the **Crown Response**), which describes the steps Crown will take to address each of the observations in Deloitte's Phase 1 Report;
 - (c) Deloitte's assessment of Crown's Response to Deloitte's Phase 1 Report, dated 13 April 2021 (**Deloitte Assessment of Crown Response**); and
 - (d) Deloitte's addendum to the Phase 1 Report, dated 5 May 2021 (the **Crown Perth Addendum**), which includes Deloitte's observations as to operational effectiveness testing in respect of Crown Perth. This was provided as an addendum, as Deloitte completed its operational effectiveness testing after completion of the Phase 1 Report, once it had received licences from the Western Australian Gaming and Wagering Commission to be able to access relevant data.

Summary of Deloitte's Phase 1 Reporting

Design Effectiveness

- 8 In Deloitte's Phase 1 Report, Deloitte concludes that:
 - (a) the design of Patron Account Controls is aligned with industry practice, and that, if executed correctly, the Patron Account Controls are effective in addressing cash structuring and cuckoo smurfing activity occurring in the Crown Patron Accounts; and



- (b) the Patron Account Controls are not yet sufficiently mature to be effective on a sustainable basis (having only been finalised in their current form since early December 2020) and require significant enhancement from an overall design perspective to achieve this outcome.
- 9 Deloitte made 17 observations for further enhancements of Crown's Patron Account Controls in its Phase 1 Report (*Deloitte Observations*).

Operating Effectiveness

- 10 In Deloitte's Phase 1 Report, Deloitte states with respect to Crown Melbourne that they:
- (a) did not identify any patron cash deposits in Crown's Current Patron Accounts;
 - (b) observed 48 instances where electronic funds transfer transactions were rejected by Crown on the basis that the transactions were not in line with Crown's policies; and
 - (c) of all patron transactions into the Current Patron Accounts reviewed during the Review Period (approx. 1,183), Deloitte identified two electronic funds transfer transactions for which there were technical discrepancies with respect to Crown's policy requirements for such transactions. Deloitte considered both discrepancies to be "fairly technical deficiencies" relating to the failure by a patron to include their full name and/or Crown Rewards number in a receipt.
- 11 In the Crown Response, Crown has agreed to implement each Deloitte Observation and sets out the actions it will take to do so, as well as the proposed timing for each action and the team or person(s) nominated by Crown as responsible for the implementation of each action. In total, there are 28 actions.
- 12 The Deloitte Assessment of Crown's Response states that:
- (a) if delivered effectively and to a high standard, the steps set out in Crown's Response would address the Deloitte Observations. Deloitte also recommends some additional interim controls be adopted while longer term steps are implemented; and
 - (b) that the stakeholders nominated by Crown as being responsible for the delivery of each step in the Crown Response are appropriate stakeholders on the basis that the teams nominated are those that Deloitte observed as having operational responsibility for the impacted control, process or system.
- 13 Crown accepts and will adopt all of the additional recommended interim controls in the Deloitte Assessment of Crown's Response.



- 14 Deloitte recommends that Crown ensure it has in place appropriate leadership, accountability and funding to ensure the timely and effective delivery of all actions in the Crown Response. Crown will ensure this.
- 15 Crown is currently progressing the actions set out in the Crown Response and is working with Deloitte to progress Phases 2 and 3 of the Deloitte Review. Crown will obtain assurance over these actions to ensure they have been appropriately implemented. The result of that assurance review will be shared with the VCGLR.

Crown Perth Addendum

- 16 As set out in the Crown Perth Addendum, Deloitte did not make any new recommendations or observations in relation to the design effectiveness of the Patron Account Controls.
- 17 Deloitte identified two technical deficiencies in its testing of the operating effectiveness of the Patron Account Controls for Crown Perth, described in the Crown Perth Addendum. Deloitte notes on page 5 of the Crown Perth Addendum that the actions described in Crown's Response are expressed as including Crown Perth, and as such, they consider that these actions will also address the two deficiencies identified.

Phases 2 and 3 of the Deloitte Review

- 18 Deloitte are progressing Phases 2 and 3 of the Deloitte Review. Deloitte have informed Crown that they anticipate being in a position to complete Phases 2 and 3 of the Deloitte Review by the end of August 2021. This estimate is based on assumptions regarding, among other things, access to data, information and Crown staff.
- 19 The reports produced as a result of Phases 2 and 3 will be shared with the Commission once complete. We will update the Commission of any changes to these estimates.

Please let me know if you would like to speak about any of the matters set out above or in the enclosed documents.

Yours sincerely

A large black rectangular redaction box covering the signature of Xavier Walsh.

Xavier Walsh

Chief Executive Officer – Crown Melbourne

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