

## 1. Risk Identification

*How key and emerging risk are identified, evaluated and managed (CML Risk Registers), including risks related to responsible gambling*

### **Work performed**

1. We interviewed Anne Siegers (GM Risk & Assurance) to understand the Risk Management Framework in place including current strategy, policy, processes, roles and responsibilities and engagement model
2. Anne has recently been appointed (January 2018) and has a background in CPS 220 in financial services.
3. Anne has been tasked to review and enhance the Risk Management Framework.

We reviewed a suite of documentation as outlined below under Documents Reviewed - prepared by Anne.

### **Documents Reviewed**

- Overview of the Risk Management Framework covering high level risk responsibilities
- Overview of the 3 lines of defence model in place.
- 5 Business Risk Profiles
- Corporate Risk Profile
- Risk Management Plan
- Risk Management Committee Minutes (including presentation of the Risk Profile)
- Audit & Compliance Committee Minutes (including presentation of the Risk Profile and Risk Management Plan)

Key features are outlined below.

- Risk own the profile documentation which resides on an excel spreadsheet.
- There are 5 risk profiles (Hotels, Gaming Ops, Food & Beverage, Generic, Admin and support
- The risk profile is consolidated into to a corporate risk profile
- Risk Profile covers Risk Title, Risk Definition, Controls, Most Likely Outcome, Consequence
- There is a likelihood and consequence matrix in place to help management to evaluate and place risk on the risk matrix scale.
- There is a documented semi annual risk meeting between Risk (head of Risk) and relevant senior executives across the business to review the risk profile.
- There is a documented 6 monthly review of profile between Risk and Business Management in each area. The purpose of this review is to review and evaluate the risk profile and consider emerging risks.
- Risk mitigation plans are considered and documented as part of this process
- The process is subject to governance oversight through reporting of the process and the outcomes (including updated profiles and risk mitigation plan) to both the Risk Management Committee and the Audit Committee.
- Detail on all High and Significant risks are specifically provided for review by the Risk Management Committee

## Results

- From our interviews with management and risk, we were comfortable that the business see themselves as the owner of key business risks, controls and risk assessment.
- Risk identification, evaluation and documentation appears to be second nature as emerging challenges and issues arise.
- From our time on site we could see regular interaction between management and the Head of Risk and it was apparent from our interviews and example email trails that the business see Risk as a key business partner.
- We are advised the profile is generally stable and events and incidents would precipitate a review of the risk profile. We were able to see this in working practice from the recent security incident – refer section 3 below.
- Risk Profiles in general appeared to be well documented, of similar quality and standards and up to date.
- We specifically reviewed and discussed Responsible Gaming and observed this is currently assessed as a significant risk and prominent in both business unit and corporate risk profiles.
- In conjunction with well established operational controls, we also evidenced that this risk is subject to regular separate executive governance and oversight.

## Conclusion

Risk identification and management is evidently critical to the success of the business.

The ISO 31000 Risk fundamentals are well established to ensure both

- regular and timely identification and documentation of relevant key risks and key controls and
- an systematic evaluation framework to facilitate focus, escalation and oversight of the management of key risks
- a clear and prioritised risk management mitigation plan
- an aligned risk based integrated compliance and internal audit focus

## RMF Framework Maturity Considerations.

There are best practice development opportunities relative to other organisations, albeit it is always difficult to evaluate the tangible benefits of implementing such steps. The Head of Risk has experience in Financial Services Risk Management where more advanced RMFs are required by the regulator.

We understand and support the perspective taken by the Head of Risk that it is right examine and fully understand the current approach and culture, establish what is working well and then carefully consider whether other “best practice” risk framework approaches would enhance the business without over complicating or adding unnecessary administrative burden.

However we strongly recommend consideration of the following as a priority for the **material risks**. (Currently high and significant risks).

What	Why
Formally documenting and gaining approval from the Board for Risk Appetite (Tolerance) statement settings. These would be stated as a combination of tangible measurable outcomes including financial measures, non-financial	<ul style="list-style-type: none"> <li>• In the absence of these key concepts risk management performance and standards can become too subjective or esoteric and lead to confusion around expectations, performance and standards.</li> </ul>

<p>measures, external threat measures and/or control standard expectations.</p> <p>This framework would be subject to ongoing formal measurement and reporting to facilitate risk management performance measurement oversight to help drive decision making and actions.</p> <p>Upgrade the sophistication in the likelihood and consequence matrix evaluation scales.</p> <p>Formally capture the board's acceptance or treatment of residual risk positions relative to the assessed residual risk and risk performance.</p>	<ul style="list-style-type: none"> <li>• While there is considerable management information in the business which we understand management absolutely use to run their business, it is important to distill key MI to help ensure that the Risk Management Framework supports risk management performance measurement, promotes escalation standards and supports risk based decision making.</li> <li>• We do not believe however that risk analysis combined with business knowledge, key business drivers and common sense is not prevailing in relation to escalation or evaluation of risk management performance.</li> </ul>
<p>Documentation of control standards and owners for controls Implementation of formal control design and operating effectiveness assessment (relative to the concept of risk tolerance)</p>	<ul style="list-style-type: none"> <li>• While we have no reason to believe controls are not operating effectively, control as currently documented in the framework are not in line with best practice to reflect control standards and ownership. The absence of this could lead to confusion or a lack of clarity on commitments and sustainable control standard settings (including during periods of change)</li> </ul>
<p>Introduce the concept of Inherent Risk.</p>	<ul style="list-style-type: none"> <li>• While this concept is subject to much debate at a risk professional level, we firmly believe that this concept is important to demonstrate the measurable impact of controls which also drives focus on ensuring these key controls remain designed and operating effectively.</li> </ul>

We also noted

- An absence of formal documentation of risk management policy standards, processes and responsibilities against which anyone could be objectively measured. We understand the implementation of CURA system in Melbourne and consolidation of risk policy standards across the group will be a catalyst for documentation of a common suite of policy standards and processes.
- A lack of an independent third line function. (i.e. the Head of Risk is the Head of Audit, albeit there is a second line compliance function. As Risk Management becomes of increasing importance, and the Head of Risk is heavily embedded in the business to support the management of risk, over time, this could lead to a lack of objectivity.

## **2. Risk Culture**

*The extent to which risk identification, evaluation and management is embedded and active across all operations of the Melbourne Casino*

### **Work Performed**

1. We interviewed the following people to get insight into their understanding and interaction with Risk Management
  - The Chief Risk Officer (Xavier Walsh)
  - Joshua Preston (Chief Legal officer)
  - Lindsay Maloney (Head of Security)
  - Craig Preston (Group GM IT Governance)
  - Sonia Bauer (GM Responsible Gaming)
  - Michelle Fielding (Group GM Regulatory & Compliance)
2. As part of our work in section 1, we had reviewed risk profiles and evidenced a consistency of approach and quality across risk profiles and risk documentation.
3. We used three live topics and issues to evaluate risk response with Lindsay, Joshua and Sonia in relation to Security, VGLR Issue response on Gaming (Junkit issue) and Responsible Gaming. (Refer Section 3)
4. We discussed and evidenced the reporting on the evolution and maturity of the Cyber Risk Management evaluation and risk management strategy.

### **Conclusion**

Management were entirely open to PwC visiting any part of the casino to meet key people, discuss operations and to discuss how risks are identified and mitigated on a daily basis as well as reflecting how these flow through to risk and governance reporting.

Overall management interviewed demonstrated clear risk awareness and knowledge of risk management fundamentals.

It was clear there is ongoing interaction between the GM Risk and the business owners with contemplation of the Risk Assessment process within the RMF.

### **Observations**

No material observations

### 3. Risk Response

- a) How effectively and timely Crown responds to key operational and regulatory risks, and informs its decision making process, and
- b) How Crown Melbourne responds to the outcome of VCGLR Compliance Audits

#### 3.1 Security

From discussion with Anne Siegers and Lindsay Maloney

1. Lindsay outlined how critical robust and safe security process and protocols are fundamental to the success of the organisation to ensure the safety of patrons, staff and protect the business brand from reputation damage.
2. There are a number of key security related risks separately represented on the Crown Support Services profile and consolidated into the Corporate Risk Profile
3. Lindsay provided a detailed overview of the extent of surveillance, probity, training, procedural and escalation protocols/ reporting and post incident review meetings in place to identify, resolve, understand and learn lessons from security incidents and assisted removals. We note these are all reflected in the risk profile.
4. Completeness - Lindsay advised of a key control that Surveillance and Security both provide an independent overview report of all incidents to the GM Craig Walsh
5. Discussed that escalation protocols are a matter of judgement based on the experience of personnel at each respective level from ground up the food chain through to COO and CEO and Board. Serious Incident Reporting however is reported to the CEO.

#### Documents reviewed

- Risk Profile, Risk Minutes
- Security Executive Report March 2018

#### Issue/Incident Response

There was a recent highly public serious incident involving a man claiming to be a terrorist. Lindsay and Anne provided a suite of relevant documentation that demonstrated how Crown managed this incident at the time and the Business/Risk/Senior Executive oversight response.

#### Issue Response Documents reviewed

- Incident Timeline (Surveillance)
- Security Services (Serious Incident Report)
- Formal Debrief notes with the police
- Invite to meeting of the executive including attendance from Risk.
- Review of Crown Melbourne Emergency Management Plan
- Initial Security Risk Assessment that will go to the Board that considers the balance of a potential strategic response, which would also create an additional risk

#### Conclusion

The response to this key issue was commensurate and timely, involved the input and engagement of Risk and interfaces with the Risk Framework to support decision making going forward.

### 3.2 VGCLR Compliance Response

We understand that there was an in depth compliance audit carried out by the VGCLR during 2016 which, in December 2016, reported 21 breaches of casino act rules and regulations. We understand this was reduced to 13 breaches covering

- 6 examples of illegible handwriting
- 5 examples where players named were not properly recorded on the junket agreement
- An example where there was no recording of front money on the documentation
- An example where Crown failed to notify of a new junket operator.

We understand that in each case management have taken these residual issues seriously including a

- Specially convened internal audit of additional samples of documentation which as resulted in a key process improvement to remove reliance on hand-writing
- Additional staff training and communications
- Staff disciplinary implications where practicable

We also sought to gain an understanding of the ongoing response and culture within the business in relation to issues flagged to Crown throughout the year from the VGCLR observations and issues.

We evidenced that where a recent issue had been flagged in relation to screen configuration (i.e. due to a screen shift there was no visible clock on screen that may help ensure a person was aware of how long they had been gambling), that Crown Compliance and technology ensured was remediated as soon as practicable and additional monitoring implemented to ensure no other similar issues at that time.

### Conclusion

In these instances there was commensurate engagement with Risk and an appropriate response and consideration of the implications within the RMF.

### 3.3 Responsible Gaming

We interviewed Sonia Bauer and Anne Siegers in relation to Responsible Gaming.

We sought to identify a breach, incident or some kind of risk event” in relation to Responsible Gaming. The subject matter is complex and technically as far as we are advised or aware there has been no such breach or issue.

From a code of conduct perspective, we understand there are no current or recent breaches identified by either Crown or the VGCLR

We were provided with an overview of how Responsible Gambling/Gaming processes have developed and we are advised Crown is seen in the industry as a leading best practice, with management requested to speak internationally on progress.

We were furnished and reviewed

- The Responsible Gambling Code of Conduct
- The Crown Melbourne Responsible Lending Gaming Charter (that outlines the key strategies)
- The Review of compliance with the Code of Conduct (provided to VGCLR)
- The Responsible Gaming Committee meeting pack and minutes from previous meeting. We are advised that the Responsible Gaming Committee sits every 2 months and overviews the suite of relevant information that gives them comfort that key Responsible Gaming initiatives are operating (including an overview of key MI in relation to initiatives and habits)

- The most recent audit report (September 2016) on RSG which highlighted only staff training as an area for improvement, which we understand has significantly improved and is reported on to executives.
- Responsible Gaming code of conduct Internal Control Statement compliance

We discussed the staffing in place (including psychologists), general training and staff protocols in place to identify and support patrons

We discussed the level of material in place to alert customers of responsible game risks and support available.

We sought to evidence Responsible Gaming in operation – we were furnished with the daily Responsible Gaming report (redacted for privacy) which demonstrated the range of measures for a given day in operation and saw on screen examples of patrons who have been subject to a range of support mechanisms.

We discussed recent court case in relation to the Dolphin Machines which was recently found in Crowns favour. We understand (and viewed on screen regarding this specific issue) that such material risks and issues are reported to, and discussed up through the Crown Governance structure by Risk.

### **Conclusion**

In relation to responsible gaming, it is clear that both ongoing risks and emerging issues are taken seriously with engagement and input from Risk.