



Crown Melbourne Limited Audit Committee

Monday, 23 November 2020 – 16:00

Webex

Attendees: Toni Korsanos (Chair), Professor John Horvath, Ken Barton

Also Invited: Mary Manos, Alan McGregor, Joshua Preston, Anne Siegers, Shannon Byrne

Apologies: Barry Felstead

AGENDA

1. **Minutes of Previous Meetings**
[Confirmation of Minutes of the meeting on 6 August 2020](#)
2. **Matters Arising**
3. **Internal Audit Activity Report: August – October 2020**
4. **Material Risk Update: August – October 2020**
5. **Corporate Risk Profile Review**
6. **Delegation Policy – Proposed Update**
7. **Emerging Risks and Other Business (no paper)**



AGENDA ITEM 1:
Minutes of Meeting



MINUTES
CROWN MELBOURNE LIMITED AUDIT COMMITTEE
HELD VIA VIDEO CONFERENCE
THURSDAY 6 AUGUST 2020
1:00PM AEST

IN ATTENDANCE

Committee: Ms Toni Korsanos (Chair)
 Professor John Horvath
 Mr Ken Barton

Mr Joshua Preston (Secretary)

By Invitation: Mr Barry Felstead (CEO Australian Resorts)
 Mr Alan McGregor (CFO Crown Resorts)
 Ms Mary Manos (General Counsel Crown Resorts)
 Ms Anne Siegers (GGM Risk & Audit Crown Resorts)
 Mr Michael Collins (Ernst & Young)
 Ms Alison Parker (Ernst & Young)

Apologies

-

The meeting opened at 1:05pm

Minutes of Meeting

The Minutes of the meeting held on 30 January 2020 were approved.

Matters Arising:

No matters arising.

Ms Korsanos noted that she and Ms Siegers would discuss and address the issue of Internal Audit reporting and possible duplication with group audits.

Audit Committee Charter

The Committee noted that there were no proposed changes to the Audit Committee Charter at this stage, however the outcomes of the ILGA Inquiry and any other internal reviews would be considered where relevant to audit and any necessary adjustments to the Charter would be addressed outside of the normal review cycle. Any proposed changes will be provided to the Committee for discussion and approval.

The independence of the external auditors was discussed and accepted, noting that the total value of additional service provided by Ernst & Young to Crown Melbourne was minimal.

The independence of the internal audit was noted and accepted. Prof Horvath noted that the Committee should consider the reporting line of the Internal Audit function with it possibly being direct to the Committee. Ms Korsanos noted that the independent review of the Internal Audit function being

currently undertaken would also inform any future considerations.

Internal Audit Report

Ms Siegers presented the Internal Audit Report: January – July 2020. Due to the property closure, minimal audit activity has taken place during the period. Ms Siegers brought to the attention of the Committee the independent review of the Internal Audit function currently underway, and the appointment of the Institute of Internal Audit to perform the review. Interviews will be sought with key management personnel, including the Chair of the Committee, and if any other members of the Committee wish to provide input, they could let Ms Siegers know.

Ms Korsanos noted that she would like the F21 Strategic Internal Audit Plan to provide some capacity to perform reviews relevant to any ILGA Inquiry findings.

The Committee noted the Report.

Material Risk Update

The Update was taken as read and Ms Siegers noted that since the property had closed on 23 March, there had been limited operational events to report at this stage. The main element to note is the impact of the COVID-19 pandemic and the preparations to re-open.

Mr Felstead provided some insight into the re-opening process in Crown Perth, and the main lessons learned that should be considered for Melbourne when it reopens. The most material impact was the continuity of labour issue, particularly in the table games department, with regards to staff not wishing to resume their duties while still receiving JobKeeper payments. Mr Felstead also noted that the high volume of business had been handled well by the business.

Prof Horvath noted the challenges and confirmed that it would be important for Melbourne to learn from the Perth experiences. He noted that some material differences would apply, including the length of the closure period, which may increase the continuity of labour issue, and importantly staff mental health and wellbeing resulting from a lengthy shutdown and the current stage 4 restrictions.

Mr Felstead confirmed that JobKeeper was a key reason for the continuity of labour issue, and that in Perth, some staff had required additional mental health support and wellbeing as they came back to work.

Ms Korsanos enquired into the challenges introduced by the physical distancing and hygiene requirements, and how Crown Perth had met them. Mr Felstead informed the Committee that Crown Perth had a very strong compliance regime. The main challenges were encountered with congestion on the main gaming floor as a result of the high patronage in some areas, however this was addressed as soon as it came to our attention. He noted that overall, our patrons were very compliant and supported the hygiene and physical distancing measures.

Ms Siegers also noted that our staff had received training prior to recommencing work, that there was extensive messaging both front of house and back of house, and that the creation of the COVID Response Management

team had been a successful initiative that is being replicated in Melbourne.

With regards to risk ratings, Ms Korsanos noted that she was happy with the proposed increase in risk #9 – *External disruption to demand for our services*, in light of the COVID 19 situation, but would also like to request that the likelihood of risk #2 – *Changes to key legislation or regulatory requirements* be increased to “Likely” to reflect what is expected to be an outcome from the ILGA Inquiry. The Committee discussed and agreed with this proposal.

Ms Korsanos also requested that we add to the ‘Act of Terrorism on Property’ risk the note that Mr Kaldas will be carrying out a review of our control measures in place to mitigate and manage this risk.

The Committee noted the Update.

The changes to Risk Management Strategy document and Risk Appetite were noted and the recommendation that the Board approve them endorsed.

**Financial Results; Full
Year Ending 30 June 2020**

Mr McGregor spoke to Agenda Item 5 - Financial Results.

Mr McGregor noted that the costs identified after 23 March 2020 have been recorded as closure costs. YTD EBITDA at 23 March was \$365M, with \$65.8M being recorded as closure costs.

From an accounting perspective, the main issue targeted at year end remains the provision for doubtful debts. Crown has adopted a relatively conservative approach, having no visibility on how our customers have fared during the period, and considering the border closures. Two of our largest debtors are junkets for which Crown has provisioned 50% of the outstanding debt, and an additional \$20M being held at Crown Resorts level to cover any additional exposure.

There has been little development with regards to Dinner by Heston. We continue to hold a provision for amounts owed or related to DBH in the Crown Accounts. This position has been consistent over the period.

The going concern provision for Melbourne remains, due to the intercompany amounts that have not yet been adjusted and requires a letter of comfort from Crown Resorts.

The treatment of the Jobkeeper payment requires disclosure as a Government grant. At 30 June, Melbourne has received \$26.6M in payroll subsidies for employees that have continued working in some capacity over the period, and an additional \$45M that has been paid directly to employees completely stood down.

REDACTED - PRIVILEGE

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**Ernst & Young Closing
Report**

Mr Collins presented the E&Y Closing Report for the full year ending 30 June 2019, which was taken as read.

Mr Collins noted that the main issues were similar to those noted by Mr McGregor, and specifically that:

- Debtors: there was an increase in provisions against specific debtors, and that E&Y was supportive of the approach;

- JobKeeper: E&Y has worked through the receipt of funds and the accounting treatment, including the offset against employee expenses, and are supportive of Crown's approach;
- Payroll compliance: there are still some uncertainties with regards to a final number, but the provision at year end is reasonable and a best estimate at this point in time;
- Various Inquiries: E&Y made some enquiries with various management personnel to assess the status of each Inquiry/Investigation, and has not found that Crown needed to provision any amounts at year end;
- Adjustment: they are not considered material, and in large part are attributable to the allocation of the Crown Resorts provision; and
- There is still some outstanding work to be performed at Crown Resorts level, and E&Y will come back to the September Committee meeting with a final position.

Ms Korsanos noted the importance of the appropriateness of disclosures, especially with JobKeeper, and noted that disclosures will most likely be an area of focus for ASIC this year.

Mr Collins confirmed that this will be the area of focus for ASIC.

The Committee noted the Report.

Appointment of External Auditors

Ms Korsanos noted the recommendation that the Audit Committee recommend to the Board that it approve the appointment of KPMG as our external auditors. This was approved by the Committee members.

Ms Korsanos thanked Mr Collins, Ms Parker and the E&Y team for their work and support over the years.

Other Business:

Prof Horvath noted that we need to understand what impacts the ILGA findings will have on the VCGLR, which Ms Manos confirmed was being reflected in the increase in the rating of risk #2 noted above.

Ms Korsanos also noted that it would be important to ensure that the annual report properly reflected that risk in our disclosures, particularly in our regulatory risks disclosure, and that the property closure and its potential impacts should be explicitly noted.

Close:

The meeting closed at 1:57pm

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Chair



AGENDA ITEM 2:
Matters Arising



AGENDA ITEM 3:
Internal Audit Activity Report



Crown Melbourne Agenda Item 3: Internal Audit Report August to November 2020

1. Internal Audit Activity Overview

With the continued closure of Crown Melbourne, no internal audits have begun or been completed during the period. However, all Internal Audit team members have now been re-instated on a part-time of full-time basis and have been involved in a number of other activities as detailed in section 2 below.

With some uncertainty still existing surrounding re-opening and the expectation of providing assurance over re-opening activities and Management assistance when required, along with opening activities in Sydney, a final full year FY21 Strategic Internal Audit Plan has not been developed. It is proposed that for FY21 a rolling quarter by quarter Plan will be implemented to better meet the needs of the business. Further detail is presented in section 3 below.

During the period the independent Quality Assessment of the Internal Audit Department, performed by the Institute of Internal Auditors was completed. The overall conclusion of the Assessment is that the Internal Audit Department is operating professionally and generally conforms to the Internal Audit Standards; this is the highest rating that can be achieved. Further detail on the Assessment and results are presented in section 5 below.

1.1 Status of Outstanding Audits

The table below shows the current status of all internal audits in progress that began prior to shut down. It is expected that a number of these audits will be finalised in the coming weeks:

Audit Name	Audit Priority	Audit Status	Overall Report Rating	Prior Report Rating	Change	No. Of Issues Raised
Melbourne Internal Audits						
Liquor Licensing / Responsible Service of Alcohol (FY20)	High	In Progress (Draft Report)				
VIP Gaming Area (Mahogany Room) Access and Membership (FY20)	High	In Progress (Fieldwork)				
Food Safety (FY20)	Moderate	In Progress (Fieldwork)				
Group Internal Audits						
Compliance Framework (FY20)	High	In Progress (Draft Report)				
Hotel Operations (Front Desk) (FY20)	High	In Progress (Draft Report)				
Procurement (FY20)	High	In Progress (Draft Report)				



Crown Melbourne Agenda Item 3: Internal Audit Report August to November 2020

Audit Name	Audit Priority	Audit Status	Overall Report Rating	Prior Report Rating	Change	No. Of Issues Raised
Disaster Recovery Management (FY20)	High	In Progress (Draft Report)				
Environmental Reporting (FY20)	High	In Progress (Fieldwork)				
VIP Operations (FY19)	Critical	In Progress (Draft Report)				

2 Additional Audit Activities

The Melbourne Internal Audit team have been heavily involved in assisting the business with a number of HR related projects, as follows:

- Documentation of key process within HR, specifically in relation to Modern Award Coverage;
- Investigation into the under and over payment of employees in relation to the Hospitality Industry General Award and Hair and Beauty Industry Award;
- Review of analysis performed by HR of all other Awards;
- JobKeeper eligibility checks; and
- Review of analysis to determine employee JobKeeper tier classification.

Assistance will continue to be provided in these areas dependant on the Casino re-opening requirements.

Internal Audit has also been provided assistance to Management relating to Southbank/Riverbank transaction monitoring issues identified during the ILGA Inquiry.

3 Strategic Internal Audit Plan

The closure of the Casino has significantly impacted the Strategic Audit Planning process, with the Plan normally being presented to Executive Management and the Audit Committee for Approval in May. With some uncertainty still existing around re-opening (at the time of preparing this Report) and the activities that Internal Audit expects to assist in upon re-opening, along with Crown Sydney opening activities, the preparation of an annual Plan for FY21 is not feasible. Additionally, upon re-opening it would not be reasonable for Internal Audit to begin normal internal audit activity in the short term to allow Management a period to restart.

As a result, Internal Audit is proposing that a quarter by quarter plan is implemented for the remainder of FY21. This will enable greater clarity and confidence in audit activities that can be completed in each period.

In addition to the audits in progress as identified in Section 1 above, each quarter we will present audits to be completed during the upcoming period (section 3.1). Internal Audit also acknowledges that there is still a need to perform some forward planning as there are a number of audits that must be completed or begin during FY21 (section 3.2). As the year continues and greater clarity around re-opening and audit activities are known, further audits could be added.



Crown Melbourne Agenda Item 3: Internal Audit Report August to November 2020

Internal Audit also expects that we will be required to assist the business or perform specific audit work on recommendations made under the ILGA inquiry.

3.1 Q2 FY21 Strategic Audit Plan

No Crown Melbourne or Group audits are planned to begin during Q2 of FY21.

Internal Audit will continue to assist management in other activities during Q2, which may include re-opening assurance activities.

3.2 Remaining FY21 Planned Audits

The table below details the planned audits that will be completed or begin during Q3 or Q4 of FY21. This is not a definitive list, audits may be added depending on re-opening and availability:

Audit Name	Audit Priority	Audit Status	Overall Report Rating	Prior Report Rating	Change	No. Of Issues Raised
Melbourne Internal Audits						
ICS – Security Operations	High	Scheduled Q3 or Q4				
ICS – Surveillance	High	Scheduled Q3 or Q4				
Responsible Gaming	Critical	Scheduled Q3 or Q4				
Transport – Aircraft Operations	Critical	Must begin or be completed during FY21				
Group Internal Audits						
Anti-Money Laundering	Critical	Must begin or be completed during FY21				
Privacy	Critical	Must begin or be completed during FY21				
Betfair	High	Must begin or be completed during FY21				

3.3 FY22 Strategic Internal Audit Plan – Enhanced Agility

While the business shut down has presented many challenges, it has also given Internal Audit the opportunity to review certain aspects of our framework, most notably the way we prepare our Strategic Audit Plan.

Historically an annual Plan, embedded within a three-year Plan is developed each year. Although this Plan is approved each year there is flexibility to make changes throughout the audit year, with the



Crown Melbourne Agenda Item 3: Internal Audit Report August to November 2020

need and acceptance of flexibility increasing as each year passes. This way of preparing an Audit Plan is an acceptable method and conforms to Internal Audit Standards.

Although the current Audit Planning process is acceptable, Internal Audit believes that enhancements to create a more agile Audit Plan moving forward could be implemented. The key components to creating a more agile Audit Plan that responds best to the risks and needs of the business are reviewing continuous risk assessments on a regular basis and enhanced stakeholder management. An agile audit methodology creates flexibility when executing work while still meeting standards/regulatory requirements, with decisions based on real time insights ensuring we don't fail to respond to change/risk and ensuring we prioritise audits that will provide significant value.

Engagement on implementing any such changes will occur during the FY22 planning process as we look at ways of building this approach into our framework and ensuring appropriate protocols are in place. Consideration will also be given to creating a single Strategic Audit Plan, rather than creating individual Plans for each Site.

4 Status of Outstanding Internal Audit Findings

Due to the Casino shutdown, no formal follow-up of outstanding findings was performed during the current period. For information purposes, the number of outstanding findings is 27 for Crown Melbourne audits and 47 for Group audits.

5 Independent Quality Assessment

In accordance with the requirements of the International Standards for the Professional Practice of Internal Auditing, an independent Quality Assessment (QA) of the Internal Audit Department was performed by the Institute of Internal Auditors Australia. The QA also assessed our conformance with internal audit related requirements of the ASX Corporate Governance Council 'Corporate Governance Principles and Recommendations.

The overall conclusion of the QA is that the Internal Audit Department is operating professionally and generally conforms to the Internal Audit Standards; this is the highest rating that can be achieved, and Internal Audit services are valued by stakeholders.

The results of the QA confirm the quality of the new framework and methodology that has been implemented over the past 2 years and is also a testament to the skill and efforts of the whole Internal Audit team.

The full QA Report is attached for reference.

5.1 Key Findings

In addition to the overall conclusion noted above, summarised below are some of the key findings and points of interest from the QA Report:

- The Internal Audit Department provides effective internal audit coverage for Crown;
- The Internal Audit Department is well-managed and comprises experienced and competent professionals;



Crown Melbourne Agenda Item 3: Internal Audit Report August to November 2020

- The Internal Audit Department is operating effectively in accordance with the Standards, and continuously seeks to further enhance its operations and services to the company;
- Sound Internal Audit foundations/methodology, follow-up procedures, reporting, management, planning and audit approach; and
- Internal Audit independence structures built-in, with the Department recognised as independent from Management.

5.2 Improvement Opportunities

Although the Internal Audit Department achieved the highest possible rating of conformance with no negative findings, a number of improvement opportunities were identified to help the Department continue to enhance operations, summarised below:

- Updates to the Internal Audit Department Charter;
- Specialist training to Internal Audit staff;
- Enhanced Quality Assurance and improvement program;
- Enhanced Internal Audit engagement process/strategy;
- Reporting arrangements to the Crown Perth Board, as part of this Internal Audit will be looking at enhanced ERCC and Audit Committee reporting, including the Internal Audit annual report; and
- Development of an assurance strategy and integrated schedule, although responsibility for development needs to be determined by the business.

A key focus for Internal Audit Management over the coming months will be the implementation of the improvement opportunities identified in the QA Report.



7 October 2020

Ms Antonia (Toni) Korsanos
Chair, Audit Committee
Crown Resorts Limited
8 Whiteman Street
Southbank Vic 3006

Dear Ms Korsanos

Independent Quality Assessment of the Internal Audit Department

Thank you for the opportunity for the Institute of Internal Auditors–Australia to assist Crown Resorts Limited (incorporating Crown Melbourne Limited and Burswood Nominees Limited (Crown Perth)) with an independent Quality Assessment of its Internal Audit Department.

We have pleasure in attaching the final report for your information.

I understand the independent assessment team leader Andrew Cox was very appreciative of the time you and Crown personnel made available to assist with the Quality Assessment.

If you have any further enquiries, Andrew is available for discussions and can be contacted on [REDACTED]

Yours sincerely

[REDACTED]

Peter Jones
Chief Executive Officer

Attachment
IIA–Australia report

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Crown Resorts Limited

incorporating Crown Melbourne Limited and Burswood Nominees Limited (Crown Perth)



Independent Quality Assessment of the Internal Audit Department

The Institute of Internal Auditors–Australia performed an Independent Validation
of the Internal Self-Assessment conducted by the Internal Audit Department

Final report
September 2020

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Throughout this report, the following rating scale has been used:	
Rating Scale	Assessment
General conformance with standards and good practice	
Partial conformance with standards and good practice	
Does not conform with standards and good practice	

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Executive Summary

Introduction



Introduction

Crown Resorts Limited (Crown) is an ASX listed company incorporating Crown Melbourne Limited and Burswood Nominees Limited (Crown Perth). There is an established Internal Audit Department with the Chief Audit Executive being the Group General Manager Risk and Audit. Internal audit operations are managed by the Group Internal Audit Manager, with internal audit services provided by in-house internal auditors.

A risk-based 3-year Strategic Internal Audit Plan is built around an internal audit universe of 72 auditable areas at Crown Melbourne and 64 auditable areas at Crown Perth. There are around 20 Group-wide audits, 30 audits at Crown Melbourne and 22 audits at Crown Perth scheduled over the 3-year plan. The plan is periodically reviewed to assure it reflects Crown's current risk profile. Follow-up activities are performed to monitor improvement actions from audits are implemented by management.

Rationale for this Review

In accordance with requirements of the 'International Standards for the Professional Practice of Internal Auditing' (Internal Audit Standards), Crown requested an independent Quality Assessment of its Internal Audit Department. The Quality Assessment was performed by the Institute of Internal Auditors–Australia (IIA–Australia).

The Internal Audit Standards are contained in the 'International Professional Practices Framework' (IPPF) issued by the IIA internationally. The Internal Audit Standards require internal audit departments to develop and maintain a quality assurance and improvement program which includes an independent external assessment of the internal audit department at least once every 5 years.

We also assessed Crown's conformance with internal audit related requirements of the ASX Corporate Governance Council 'Corporate Governance Principles and Recommendations, 4th edition' (2019) , with an assessment included in this report.

Objectives and Scope



Objectives

1. Assess conformance of Internal Audit Department services with mandatory requirements of the 'International Professional Practice Framework' (IPPF) issued by the Institute of Internal Auditors (IIA), including the 'International Standards for the Professional Practice of Internal Auditing'.
2. Ascertain expectations of Internal Audit Department services expressed by the Audit Committee and Senior Management and whether these are being met.
3. Assess effectiveness of the Internal Audit Department as a 3rd line of assurance activity integrated into the strategic management and governance framework.
4. Review whether Internal Audit Department operations represent contemporary good practice.
5. Evaluate skills, knowledge and experience capability within the Internal Audit Department.
6. Review whether the Internal Audit Department adds value and contributes to improving business operations.

Scope

The scope of the Quality Assessment focused on the Internal Audit Department, its operations, and its relationships with key stakeholders including the Audit Committee and Senior Management.

Standards

The applicable standards are the 'International Standards for the Professional Practice of Internal Auditing' contained in the IPPF issued by the IIA.

Methodology

The methodology used for the Quality Assessment involved a Self-Assessment performed by the Crown Internal Audit Department, followed by independent validation by an assessment team from the IIA–Australia. This methodology is promoted by the IIA internationally.

Chief Audit Executive

The term chief audit executive is the generic term used in the Internal Audit Standards to refer to the head of internal audit in an organisation. At Crown, this is the Group General Manager Risk and Audit.

Conclusion



- There is general conformance with the Internal Audit Standards; this is the highest rating that can be achieved as shown below.



- The Internal Audit Department is operating professionally and provides effective internal audit coverage for Crown.
- The Internal Audit Department is well-managed and comprises experienced and competent professionals.
- Stakeholders interviewed for the Quality Assessment expressed satisfaction at the internal audit services provided to Crown. The Group General Manager Risk and Audit is seen as a good leader.
- Based on our substantial experience performing Quality Assessments of internal audit departments in organisations, we have suggested some opportunities to enhance Internal Audit Department operations, with details contained in this report.
- We assessed Crown Internal Audit Department maturity as ‘Managed / Optimising’ as shown below. This means the Internal Audit Department is operating effectively in accordance with the Internal Audit Standards, and continuously seeks to further enhance its operations and services to the company.



It should be noted ‘optimised’ means effective as possible while ‘optimising’ means continual enhancement is sought and implemented.

Conclusion:	<ul style="list-style-type: none"> ➤ <i>Crown Internal Audit Department is operating professionally and generally conforms with the Internal Audit Standards; this is the highest rating that can be achieved.</i> ➤ <i>Internal audit services are valued by stakeholders.</i>
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Current State Assessment



Internal Audit Foundations

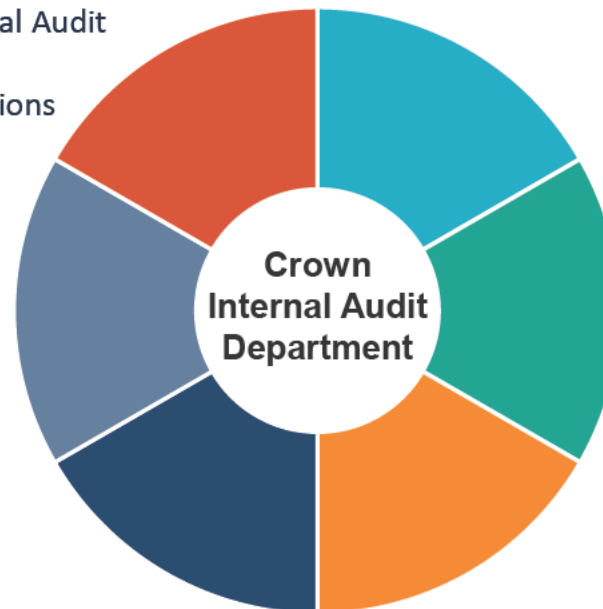
- ✓ Good practice internal audit reporting arrangements in place to maintain independence of the Internal Audit Department.
- ✓ Solid internal audit foundations in place.

Internal Audit Follow-up

- ✓ Sound monitoring and follow-up system.

Internal Audit Reporting

- ✓ Sound reporting to the Audit Committee and the two Executive Risk and Compliance Committees.



Managing Internal Audit

- ✓ Internal Audit Department effectively and professionally managed.
- ✓ Focus on incrementally improving internal audit services.

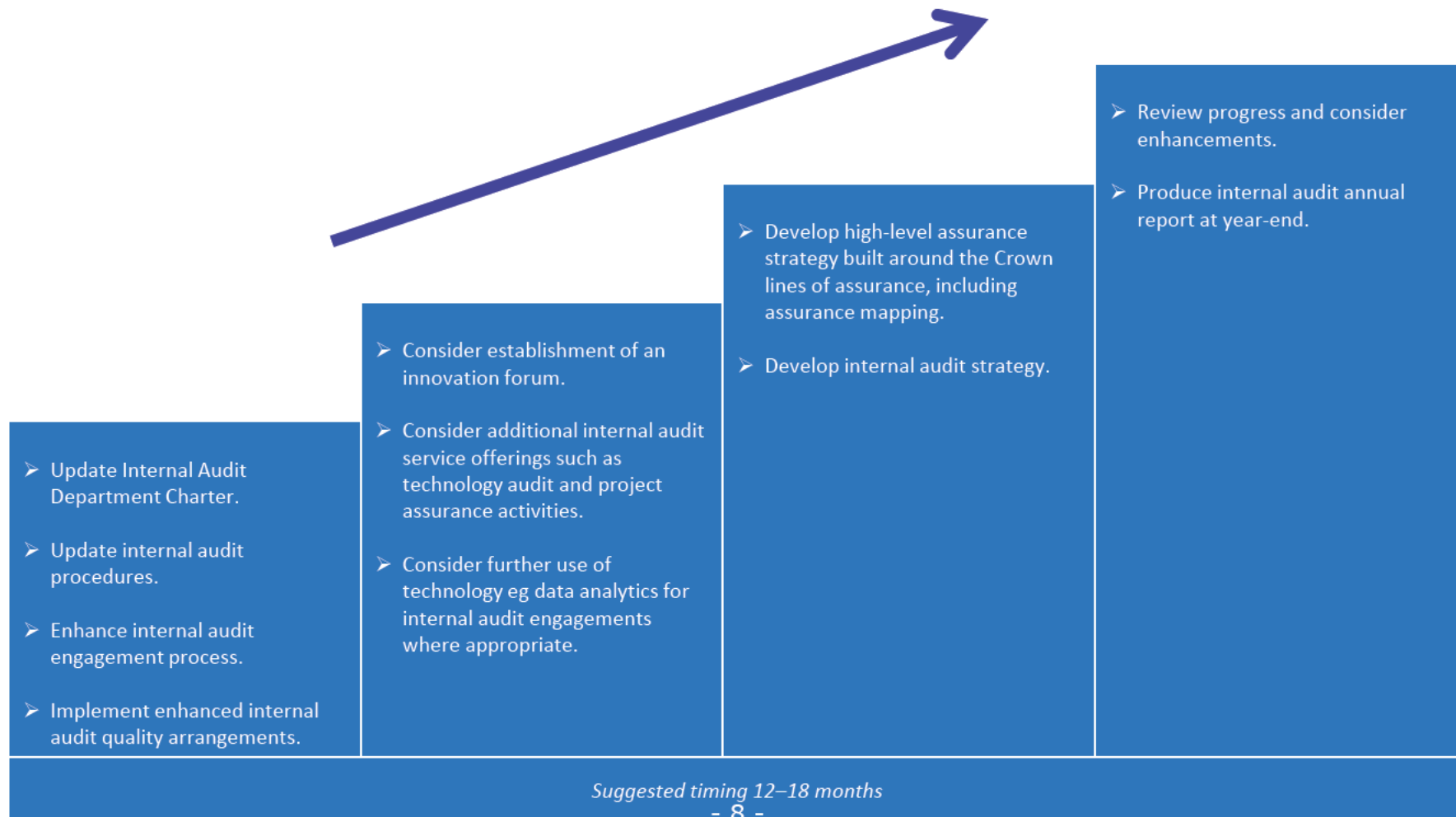
Internal Audit Annual Planning

- ✓ Sound risk-based approach to internal audit planning.

Engagement Planning / Fieldwork

- ✓ Fit-for-purpose approach to performing and reporting internal audit engagements.

Indicative Internal Audit Strategic Roadmap



Independent Validation Statement



- The methodology used for the Quality Assessment involved a Self-Assessment performed by the Crown Internal Audit Department followed by Independent Validation by an assessment team from the IIA–Australia. This methodology is promoted by the IIA internationally.
- The independent assessment team was Andrew Cox and Tania Stegemann from the IIA–Australia. Their internal audit credentials are shown in biographies in the appendices to this report.
- The Independent Validation consisted of review and testing of the procedures and results of the Self-Assessment.
- The independent assessment team held discussions with the Audit Committee Chair and Senior Management to obtain their feedback on the quality of internal audit services provided to Crown.
- The independent assessment team conclusion agrees with the Self-Assessment.
- The IIA–Australia considers the Crown Internal Audit Department to be operating professionally and generally conforming with the ‘International Standards for the Professional Practice of Internal Auditing’; this is the highest rating that can be achieved.

Andrew Cox
 Assessment Team Leader
 IIA–Australia
 September 2020

Tania Stegemann
 Assessment Team Member
 IIA–Australia
 September 2020

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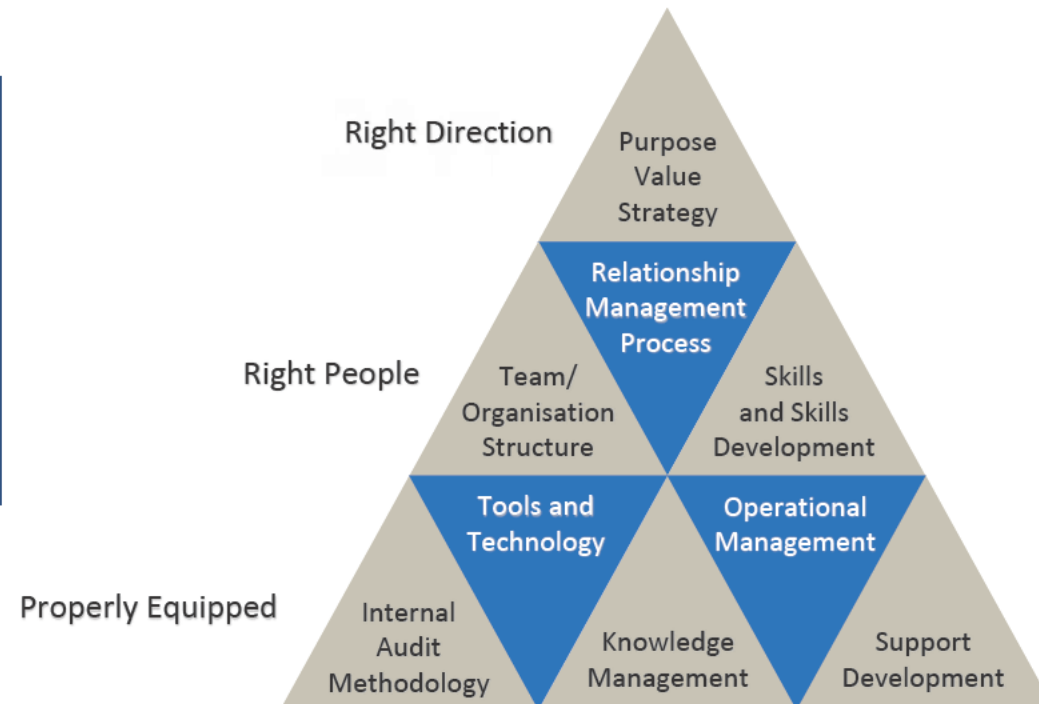


Examples of Internal Audit Good Practice at Crown

Components for Effective Internal Audit



Right Direction
➤ <i>Strategic direction and positioning.</i>
Right People
➤ <i>Resourcing and capability.</i>
Properly Equipped
➤ <i>Right methodology and approach.</i>



Examples of Internal Audit Good Practice at Crown



Right Direction

Strategic direction and positioning



Conformance with the Internal Audit Standards

There is general conformance with the Internal Audit Standards; this is the highest rating that can be achieved.

Reporting Arrangements

Good practice internal audit reporting arrangements are in place, with the Group General Manager Risk and Audit reporting functionally for internal audit activities to the Audit Committee and administratively to the Chief Executive Officer.

Independence

Crown has Internal Audit Department independence structures built-in, with the Internal Audit Department recognised as independent of management.

Support

The Audit Committee and Senior Management demonstrate support for Internal Audit.

Private Meetings

Private meetings without management present are held between the Audit Committee and the Group General Manager Risk and Audit.

Scope of Internal Audit Activities

There are no 'off limit' areas for internal audit focus.

Examples of Internal Audit Good Practice at Crown



Right People

Resourcing and capability



Professionalism

The Internal Audit Department has a professional approach to its work.

Internal Audit Department Management

The Internal Audit Department is well-managed.

Skills, Knowledge and Experience

The Internal Audit Department is comprised of experienced practitioners with the necessary skills, knowledge and experience for their work.

Objectivity

The Internal Audit Department team apply an objective approach to their work.

Improvement Focus

There is focus on how to make internal audit services more effective.

Chief Audit Executive

The Group General Manager Risk and Audit is seen as a good leader, with the Group Internal Audit Manager effectively managing internal audit operations.

Examples of Internal Audit Good Practice at Crown



Properly Equipped

Right methodology and approach



Internal Audit Planning

There is a good practice, risk-based process for internal audit planning.

Internal Audit Policy and Procedures

There is a comprehensive internal audit manual.

Internal Audit Methodology

There has been focus on embedding a fit-for-purpose methodology for Internal Audit Department operations.

Project Management

There is a project management focus to internal audit work.

Audit Recommendation Tracking

There is a sound monitoring and follow-up system to monitor implementation of audit recommendations.

Internal Audit Annual Report

The Internal Audit Department prepares periodic report on its activities for the Audit Committee and the two Executive Risk and Compliance Committees.

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Maturity Assessment

Internal Audit Maturity Assessment

IIA–Australia
assessment
September 2020



	Standard 1000 Purpose, Authority, and Responsibility	Standards 1100 Independence and Objectivity	Standard 1200 Proficiency and Due Professional Care	Standard 1300 Quality Assurance and Improvement Program	Standard 2000 Managing the Internal Audit Activity	Standard 2100 Nature of Work
Optimising	Internal Audit Charter in place, reviewed and approved by Audit Committee on annual basis, clearly linked to corporate governance objectives, specifies good practice Internal Audit reporting arrangements	Internal Audit reporting arrangements defined in Internal Audit Charter, specifies good practice reporting arrangements, independence and objectivity requirements defined by Internal Audit policy including requirement for conflict of interest disclosure, annual attestation required by Internal Audit staff	Internal Audit resources are credentialed, specialist resources are available when required, annual Risk Assessment conducted, ongoing and periodic Quality Assurance process in place, training programs reinforce Internal Audit credentials and support execution of Internal Audit work	Documented ongoing and periodic Quality Assurance Program in place, Quality Assurance activities occur for internal audit engagements, Internal Assessment conducted annually, External Assessment conducted at least every 5 years	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements, audit client feedback sought, performance measures in place and used to drive continuous improvement	Internal Audit focuses on controls, risk and governance, Internal Audit plans are clearly linked to enterprise-wide view of risk and plans are periodically adjusted, Internal Audit uses recognised control frameworks in its work
Managed	Internal Audit Charter in place, reviewed and approved by Audit Committee on annual basis, clearly linked to corporate governance objectives	Internal Audit reporting arrangements defined in Internal Audit Charter, specifies good practice reporting arrangements, independence and objectivity requirements defined by Internal Audit policy including requirement for conflict of interest disclosure	Internal Audit resources are credentialed, some specialist resources are available, annual Risk Assessment conducted, ongoing and periodic Quality Assurance processes in place	Documented ongoing and periodic Quality Assurance Program in place, Quality Assurance activities occur for internal audit engagements, Internal Assessment conducted annually	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangements, audit client feedback sought	Internal Audit focuses on controls, risk and governance, Internal Audit plans are clearly linked to enterprise-wide view of risk and plans are periodically adjusted
Implemented	Internal Audit Charter in place, reviewed and approved by Audit Committee on a periodic basis	Internal Audit reporting arrangements defined in Internal Audit Charter, specifies good practice reporting arrangements	Some Internal Audit resources are credentialed, some specialist resources are available, annual Risk Assessment conducted, ongoing Quality Assurance processes in place	Ongoing and periodic Quality Assurance Program elements in place, Quality Assurance activities occur for internal audit engagements	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives, effective Internal Audit reporting arrangement	Internal Audit focuses on controls, risk and governance
Defined	Internal Audit Charter in place and approved by Audit Committee	Internal Audit reporting arrangements defined in Internal Audit Charter, but not good practice reporting arrangements	Internal Audit resources are partially credentialed, specialist resources may be available, annual Risk Assessment conducted, some ongoing Quality Assurance processes in place	Some ongoing Quality Assurance Program elements in place, some Quality Assurance activities occur for internal audit engagements	Internal Audit policies and procedures in place, Internal Audit plans linked to corporate objectives	Internal Audit focuses on controls and risk
Initial	No Internal Audit Charter or in draft or not approved by Audit Committee	Internal Audit reporting arrangements not defined in Internal Audit Charter or reporting arrangements not in line with good practice	Internal Audit resources not credentialed, no specialist resources, no annual Risk Assessment, limited ongoing Quality Assurance processes in place	No formal Quality Assurance Program in place, some Quality Assurance activities may occur for internal audit engagements	No Internal Audit policies and procedures in place, Internal Audit plans not linked to corporate objectives	Internal Audit focuses on controls

3

Internal Audit Maturity Assessment

IIA–Australia
assessment
September 2020



	Standard 2200 Engagement Planning	Standard 2300 Performing the Engagement	Standard 2400 Communicating Results	Standard 2500 Monitoring Progress	Standard 2600 Communicating the Acceptance of Risks	Code Of Ethics
Optimising	Planning performed in collaboration with stakeholders, planning adjusted for differing circumstances, planning documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs, automated audit working paper system in place, CAATs and other audit techniques actively used	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue, management input to reporting is actively sought, reports contain management comments and agreed actions, Internal Audit prepares reports that show systemic issues found through its work	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently, reporting to Audit Committee on status of audit recommendations, automated system for receiving progress updates from management, high rate of audit recommendation clearance	Escalation protocol defined, process clearly understood by Internal Audit and management, collaborative approach to resolution, clear definition of level of risk that can be assumed by Management that precludes need for escalation protocol	Organisation Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies, ethics training is conducted, Internal Audit staff complete annual Code of Ethics declaration
Managed	Planning performed in collaboration with stakeholders, planning documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs, may have automated audit working paper system in place	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue, reports contain management comments and actions to implement recommendations	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently, reporting to Audit Committee on status of audit recommendations	Escalation protocol defined, process clearly understood by Internal Audit and Management, collaborative approach to resolution	Organisation Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies, ethics training is conducted
Implemented	Planning performed and documented, consistent methodology applied to internal audit engagements, supervisory review and sign-off occurs	Internal Audit policies and procedures clearly define internal audit engagement process, Audit Work Plans are tailored for each engagement, supervisory review and sign-off occurs	Reporting protocol established for communicating results, reporting done consistently from content and format perspective, CAE reviews and signs-off audit reports before issue	Follow-up protocol established, follow-up on implementation of audit recommendations performed consistently	Escalation protocol defined, process clearly understood by Internal Audit and Management	Organisation Code of Conduct established, IIA Code of Ethics is embedded in Internal Audit policies
Defined	Planning performed and documented, consistent methodology applied to internal audit engagements	Some elements of Internal audit engagement process defined, standard Audit Work Plans used	Reporting protocol established for communicating results, reporting done inconsistently from content and format perspective	Follow-up protocol established, follow-up on implementation of audit recommendations occurs but not performed consistently	No escalation protocol established, Management may assume inappropriate level of risk	Organisation Code of Conduct established, IIA Code of Ethics receives some attention
Initial	Planning not performed or documented, no consistent methodology applied to internal audit engagements	Internal audit engagement process not clearly defined or Audit Work Plans not prepared for internal audit engagements	Reporting protocol not established for communicating results, reporting is ad hoc	No follow-up protocol established, follow-up on implementation of audit recommendations not performed consistently or not performed	No escalation protocol established	Organisation Code of Conduct not established, IIA Code of Ethics does not receive formal attention

3

Maturity Definitions



Internal Audit Maturity Assessment	
<p><i>Internal audit learns from inside and outside the organisation, with a constant focus on continuous improvement:</i></p> <ul style="list-style-type: none"> ➤ <i>Innovates good practices.</i> ➤ <i>Strategic business partner.</i> ➤ <i>Leader in the internal audit profession.</i> 	Optimising
<p><i>Internal audit integrates information from across the organisation to improve risk management, control and governance:</i></p> <ul style="list-style-type: none"> ➤ <i>Emphasises good practice.</i> ➤ <i>Anticipates change.</i> ➤ <i>Expands roles in response to business needs.</i> 	<div style="border: 2px solid red; padding: 2px; display: inline-block;"> Crown Internal Audit Department September 2020 </div>
<p><i>Internal audit management and professional practices uniformly applied:</i></p> <ul style="list-style-type: none"> ➤ <i>Generally conforming with the internal audit practice standards.</i> 	Implemented
<p><i>Sustainable and repeatable practices:</i></p> <ul style="list-style-type: none"> ➤ <i>Partially conforming with the internal audit practice standards.</i> 	Defined
<p><i>Few sustainable and repeatable practices:</i></p> <ul style="list-style-type: none"> ➤ <i>Not conforming with the internal audit practice standards.</i> 	Initial

It should be noted 'optimised' means effective as possible while 'optimising' means continual enhancement is sought and implemented.

Roadmap to Maturity Optimisation



Standard		Current Maturity Rating	Optimising Actions – refer Improvement Opportunities shown later in this report	Future Maturity Rating
1000	Purpose, Authority, Responsibility	Optimising	1. Internal audit charter	Optimising
1100	Independence and Objectivity	Optimising	1. Internal audit charter	Optimising
1200	Proficiency and Due Professional Care	Optimising	2. Proficiency and due professional care	Optimising
1300	Quality Assurance and Improvement Program	Managed	3. Quality assurance and improvement program	Optimising
2000	Managing the Internal Audit Activity	Optimising	4. Specialist internal audit resources	Optimising
2100	Nature of Work	Optimising	4. Specialist internal audit resources	Optimising
2200	Engagement Planning	Optimising	5. Internal audit engagement process	Optimising
2300	Performing the Engagement	Optimising		Optimising
2400	Communicating Results	Optimising	5. Internal audit engagement process	Optimising
2500	Monitoring Progress	Managed	1. Internal audit charter	Optimising
2600	Communicating the Acceptance of Risks	Managed	1. Internal audit charter	Optimising
Code of Ethics		Managed	3. Quality assurance and improvement program	Optimising

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Conformance with Standards and Good Practice

Assessment against the Quality Assessment Objectives – Summary



Objectives		Assessment
1	<p><u>Internal Audit Standards</u> Assess conformance of Internal Audit Department services with mandatory requirements of the 'International Professional Practice Framework' (IPPF) issued by the Institute of Internal Auditors (IIA), including the 'International Standards for the Professional Practice of Internal Auditing'.</p>	
2	<p><u>Stakeholder expectations</u> Ascertain expectations of Internal Audit Department services expressed by the Audit Committee and Senior Management and whether these are being met.</p>	
3	<p><u>Internal audit effectiveness</u> Assess effectiveness of the Internal Audit Department as a 3rd line of assurance activity integrated into the strategic management and governance framework.</p>	
4	<p><u>Internal Audit operations</u> Review whether Internal Audit Department operations represent contemporary good practice.</p>	
5	<p><u>Internal audit capability</u> Evaluate skills, knowledge and experience capability within the Internal Audit Department.</p>	
6	<p><u>Internal audit value-add</u> Review whether the Internal Audit Department adds value and contributes to improving business operations.</p>	

3

Does not conform

Partially conforms

Generally conforms

Objective 1 – Conformance to the IPPF – Summary



International Professional Practices Framework	Assessment
Core Principles for the Professional Practice of Internal Auditing	Generally conforms
Code of Ethics	Generally conforms
Definition of Internal Auditing	Generally conforms
International Standards for the Professional Practice of Internal Auditing	Generally conforms

Objective 1 – Conformance to the IPPF – Core Principles, Code of Ethics, Definition



Core Principles		Assessment
1	Demonstrates integrity	Generally conforms
2	Demonstrates competence and due professional care	Generally conforms
3	Is objective and free from undue influence (independent)	Generally conforms
4	Aligns with the strategies, objectives, and risks of the organisation	Generally conforms
5	Is appropriately positioned and adequately resourced	Generally conforms
6	Demonstrates quality and continuous improvement	Generally conforms
7	Communicates effectively	Generally conforms
8	Provides risk-based assurance	Generally conforms
9	Is insightful, proactive, and future-focused	Generally conforms
10	Promotes organisational improvement	Generally conforms
Code of Ethics		
Code of Ethics		Generally conforms
Definition of Internal Auditing		
Definition of Internal Auditing		Generally conforms

3

Does not conform

Partially conforms

Generally conforms

Objective 1 – Conformance to the IPPF – Internal Audit Standards



Overall, we found the Crown Internal Audit Department **Generally Conforms** to the Internal Audit Standards; this is the highest rating that can be achieved. The overarching Internal Audit Standards are:

Does not conform		Partially conforms		Generally conforms	
0	0%	2	4%	50	96%

Generally Conforms

Means an Internal Audit Department has a charter, policies, and processes that are judged to be in accordance with the Internal Audit Standards. There may be some potential opportunities for improvement.

Partially Conforms

Means deficiencies in practice are noted that are judged to deviate from the Internal Audit Standards, but these deficiencies did not preclude the Internal Audit Department from performing its responsibilities in an acceptable manner.

Does Not Conform

Means deficiencies in practice are judged to be so significant as to seriously impair or preclude the Internal Audit Department from performing adequately in all or in significant areas of its responsibilities.

Standard 1000	Purpose, Authority, Responsibility	
Standard 1100	Independence and Objectivity	
Standard 1200	Proficiency and Due Professional Care	
Standard 1300	Quality Assurance and Improvement Program	
Standard 2000	Managing the Internal Audit Activity	
Standard 2100	Nature of Work	
Standard 2200	Engagement Planning	
Standard 2300	Performing the Engagement	
Standard 2400	Communicating Results	
Standard 2500	Monitoring Progress	
Standard 2600	Communicating the Acceptance of Risks	

3

Does not conform	Partially conforms	Generally conforms
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Objective 1 – Conformance to the IPPF – Internal Audit Standards



Attribute Standards	Generally Conforms	Partially Conforms	Does Not Conform
1000 – Purpose, Authority, and Responsibility (Internal Audit Charter)			
1010 – Recognising Mandatory Guidance in the Internal Audit Charter			
1100 – Independence and Objectivity			
1110 – Organisational Independence			
1111 – Direct interaction with the Board			
1112 – Chief Audit Executive Roles beyond Internal Auditing			
1120 – Individual Objectivity			
1130 – Impairment to Independence and Objectivity	None observed		
1200 – Proficiency and Due Professional Care			
1210 – Proficiency			
1220 – Due Professional Care			
1230 – Continuing Professional Development			
1300 – Quality Assurance and Improvement Program			
1310 – Requirements of the Quality Assurance and Improvement Program			
1311 – Internal Assessments			
1312 – External Assessments	This Quality Assessment makes it conforming		
1320 – Reporting on the Quality Assurance and Improvement Program			
1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”	Not used		
1322 – Disclosure of Non-conformance	None observed		

Objective 1 – Conformance to the IPPF – Internal Audit Standards



Performance Standards	Generally Conforms	Partially Conforms	Does Not Conform
2000 – Managing the Internal Audit Activity			
2010 – Planning			
2020 – Communication and Approval			
2030 – Resource Management			
2040 – Policies and Procedures			
2050 – Coordination and Reliance			
2060 – Reporting to the Senior Management and the Board			
2070 – External Service Provider and Organisational Responsibility for Internal Auditing	Not applicable		
2100 – Nature of Work			
2110 – Governance			
2120 – Risk Management			
2130 – Control			
2200 – Engagement Planning			
2201 – Planning Considerations			
2210 – Engagement Objectives			
2220 – Engagement Scope			
2230 – Engagement Resource Allocation			
2240 – Engagement Work Program			

Does not conform

Partially conforms

Generally conforms

Objective 1 – Conformance to the IPPF – Internal Audit Standards



Performance Standards	Generally Conforms	Partially Conforms	Does Not Conform
2300 – Performing the Engagement			
2310 – Identifying Information			
2320 – Analysis and Evaluation			
2330 – Documenting Information			
2340 – Engagement Supervision			
2400 – Communicating Results			
2410 – Criteria for Communicating			
2420 – Quality of Communications			
2421 – Errors and Omissions	None identified		
2430 – Use of “Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”	Not used		
2431 – Engagement Disclosure of Non-conformance	None identified		
2440 – Disseminating Results			
2450 – Overall Opinions			
2500 – Monitoring Progress			
2600 – Communicating the Acceptance of Risks			

3

Does not conform

Partially conforms

Generally conforms

Commentary on Objectives 2–6



Objectives and commentary	Assessment
Objective 2 – Expectations of Internal Audit Department services expressed by the Audit Committee and Senior Management and whether these are being met.	
<ul style="list-style-type: none"> ➤ Stakeholders interviewed for the Quality Assessment expressed satisfaction at the internal audit services provided to Crown. 	
Objective 3 – Effectiveness of the Internal Audit Department as a 3rd line of assurance activity integrated into the strategic management and governance framework.	
<ul style="list-style-type: none"> ➤ Internal Audit is operating effectively in its 3rd line of assurance role. ➤ There is consideration of other assurance activities when the Internal Audit Department prepares its risk-based plan. ➤ The extent and effectiveness of all assurance activity across Crown is not clearly articulated. 	
Objective 4 – Whether Internal Audit Department operations represent contemporary good practice.	
<ul style="list-style-type: none"> ➤ The Internal Audit Department is built upon solid foundations and is operating professionally. 	
Objective 5 – Skills, knowledge and experience capability within the Internal Audit Department.	
<ul style="list-style-type: none"> ➤ The Internal Audit Department is staffed by competent and well-qualified professionals. ➤ Specialists could be procured where technical skills may not be available in-house within the Internal Audit Department such as for technology audit. 	
Objective 6 – Whether the Internal Audit Department adds value and contributes to improving business operations.	
<ul style="list-style-type: none"> ➤ Stakeholders were positive about the value provided from internal audit services. 	

Conformance with ASX Corporate Governance Council



As a listed entity, Crown should conform with the Corporate Governance Principles and Recommendations, 4th edition' (2019) issued by the ASX Corporate Governance Council. The primary role of the Council is to develop and issue principles-based recommendations on the corporate governance practices to be adopted by ASX listed entities. The recommendations are intended to promote investor confidence and to assist listed entities to meet stakeholder expectations in relation to their governance. Under Listing Rule 4.10.3, ASX listed entities are required to benchmark their corporate governance practices against the Council's recommendations and, where they do not conform, to disclose that fact and the reasons why. Shown below are the principles relating to internal audit.

Corporate Governance Principles and Recommendations, 4 th edition' (2019)		Assessment
<u>Recommendation 7 – Recognise and manage risk</u> A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.		
7.3	A listed entity should disclose:	
7.3 (a)	If it has an internal audit function, how the function is structured and what role it performs; or (b)	
7.3 (b)	If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	

3

Does not conform

Partially conforms

Generally conforms

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Stakeholder Feedback

Key Stakeholder Discussions



Stakeholders *refer comments on following slides*

Audit Committee

Ms Antonia (Toni) Korsanos	Board of Directors Member / Audit Committee Chair
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Executive Management and Senior Management

Mr Alan McGregor	Chief Financial Officer
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Mr Nic Emery	Chief Marketing Officer
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Mr Tim Barnett	Executive General Manager, Table Games (Melbourne)
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Mr David Brown	General Manager, Cage and Count (Perth)
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Mr Stephen Hancock	General Manager, Cage and Count (Melbourne)
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Internal Audit

Ms Anne Siegers	Group General Manager, Risk and Audit / Chief Audit Executive / Chief Risk Officer
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Mr Scott Ridout	Group Internal Audit Manager
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Stakeholder Feedback – Key Stakeholder Discussions



Stakeholder Comments

Strategic Focus

- There is clear alignment between internal audit work and Crown's strategic objectives and risks.
- Internal audit is a good team from planning through to performing audit work.
- There has been good work to bring the Crown Melbourne and Crown Perth internal audit teams together.
- Internal audit should have an important role when Crown restarts post-coronavirus to make sure checks and balances are in place.
- Get a lot of internal audit value from their 'fresh eyes' examining processes.
- Audits are generally compliance focused and that is valued.
- Would actually like to see more audits but understand internal audit resources need to be applied to areas of greatest risk across Crown.
- Wonder if there are enough internal audit resources to get everything done post-coronavirus.

Stakeholder Feedback – Key Stakeholder Discussions



Stakeholder Comments

Internal Audit Management and Operations

- Internal audit is very impressive, and it is good to have a solid internal audit process.
- A recent audit was thorough, and it was good to get 'fresh eyes' to look at it.
- Like that internal audit asks for General Manager comments which was not done before and is a good improvement to open-up communication channels.
- The Group General Manager Risk and Audit is excellent – has made good changes and gives a lot of confidence.
- The internal auditors are competent and professional.
- The internal auditors have good base knowledge even though they are not experts at what all Crown work areas do.
- Internal auditors cannot be experts at all areas, but the internal auditors have the right skills and do a good job.
- Internal auditors who audited recently didn't have a huge understanding of the area, but overall the internal audit process works well.
- Discussions with the Group Internal Audit Manager could perhaps be a bit more frequent.
- The 3 lines of assurance concept could be better explained.
- There is opportunity to request ad hoc internal audit services and the Internal Audit Department is responsive.

Stakeholder Feedback – Key Stakeholder Discussions



Stakeholder Comments

Internal Audit Reporting and Follow-up

- Internal audit reports are good documents.
- Internal audit reports are thorough and offer insights.
- Internal audit reports give voice and structure to risk which gets a tick.
- In many cases internal audit reports say what we already know, but it is good to get improvement suggestions.
- The internal auditors are collaborative and there can be negotiation about what will be the best remediation approach where something may need to be improved.
- Internal audit reports are now better, though it is sometimes necessary to discuss proposed internal audit recommendations to make sure they are practical and the best recommendation.
- One thing internal audit could do a bit better is provide more detail in reporting to the Audit Committee. At present a very brief summary of outcomes is provided – would like to see a focused executive summary for each audit with full reports available on request or through a link.
- There is a well-structured audit follow-up process and audit actions for implementation are followed-up well.
- The audit monitoring and follow-up process operates effectively.
- Implementation of audit action is generally timely, though there can be lags because of operational pressures.

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Benchmarking

Internal Audit Benchmarking



The Institute of
Internal Auditors
Australia

Crown Internal Audit
Department
September 2020

Internal Audit Evolution		<i>This table shows how the Internal Audit profession and its services have evolved over time.</i>				
Features	Checking Up to 1960s	Compliance 1960s – 1980s	System-based 1980s – 1990s	Risk-based 1990s – 2010s	Partnership 2010s –	Value-based Emerging
Independence	Independent of activities audited	Independent of activities audited	Independent of activities audited	Independent of activities audited	Independent of activities audited	Independent of activities audited
Serving	Finance	Finance	Finance / organisation departments	Organisation departments	Organisation	Organisation
Reporting to	Generally CFO	Generally CFO	Generally CFO	Emerged to CEO and then Audit Committee reporting	Audit Committee for operations; CEO for administration	Audit Committee for operations; CEO for administration
Objective	Assurance	Assurance	Assurance	Assurance	Assurance and advisory; value-adding	Assurance and advisory; value-adding; proactive; key agent of change
Focus	Historical	Historical	Historical	Historical	Forward-looking	Forward-looking; insights
Coverage	Controls	Controls	Controls	Controls	Governance, risk management, controls	Governance, risk management, controls
Outcome	Detect mistakes	Detect mistakes	Improve controls	Improve organisation department controls	Improve organisation departments	Improve organisation; actively seek innovation
Fraud focus	Detect fraud	Detect fraud	Detect fraud	Detect fraud	Prevent fraud	Prevent fraud
Reports go to	Management	Management	Management	Management; emerged to Audit Committee	Management and Audit Committee	Management and Audit Committee
Standards	No	Standards in 1978	Internal Audit Standards	Internal Audit Standards	Internal Audit Standards	Internal Audit Standards
Resourcing	In-house	In-house	In-house	In-house; emerged to co-sourced	Co-sourced; subject matter experts, guest auditors	Co-sourced; subject matter experts; guest auditors
Staff qualifications	Financial	Financial	Financial	Financial	Some non-financial disciplines	Many disciplines
Planning	Cyclical annual plan	Cyclical annual plan	Cyclical 5-year plan	Risk-based 3-year plan	Risk-based 3-year or annual plan	Risk-based rolling plan
Audit types	Compliance	Compliance	System	Operational	Integrated	Service catalogue
Management requested services	No	No	No	Some	Yes	Yes; many

Internal Audit Benchmarking



Conformance with the Internal Audit Standards

Benchmark	Benchmark Result	Crown Internal Audit Comparison
Internal audit departments that fully conform with the Internal Audit Standards.	<i>Less than 60% of internal audit departments fully conform with the Internal Audit Standards.</i>	<p>The Crown Internal Audit Department conforms to the Internal Audit Standards:</p> <ul style="list-style-type: none"> ➤ General conformance – 50/52 = 96%. ➤ Partial conformance – 2/52 = 4%. ➤ Non-conformance – 0/52 = 0%.

Internal Audit Benchmarking



How much to spend on Internal Audit?

In considering the extent of Internal Audit coverage, we benchmarked the Crown 'spend' on internal audit against data from the IIA. This was done in order to ascertain what could be considered through benchmarking to be a reasonable organisation 'spend' on internal audit compared to other organisations.

Benchmarking should only be considered as a guide and one factor to be considered when assessing an organisation's overall assurance coverage. For example, if 2nd line of assurance activities are strong, less may be spent on internal audit. Likewise, if 2nd line of assurance activities are weak, it may be necessary to spend more on internal audit.

We used a benchmark based on Crown 'revenue', which is set out in the table below.

Crown revenue	Crown Internal Audit budget	Source	Benchmarked spend on Internal Audit
\$3.139 billion	\$750,000	The Institute of Internal Auditors Audit Intelligence Suite (formerly Global Audit Information Network – GAIN)	\$3.139 million GAIN = 0.10% USD 1–5 billion

Internal Audit Benchmarking



Cost of Internal Audit Services

The cost of Internal Audit services delivered can be examined against prevailing rates charged by service providers for internal audit services.

This indicates Internal Audit is providing cost-effective internal audit services to Crown.

Crown spend on Internal Audit	Productive audit days delivered	Cost per audit day delivered in-house	Benchmarked cost per audit day delivered based on indicative service provider cost
In-house = \$750,000 Service provider = \$0 Total = \$750,000	Group = 355 days Melbourne = 340 days Perth = 401 days Outsourced = 0 days Total = 1,096 days	\$684 per day	\$2,000+ per day

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Improvement Opportunities

The following slides contain improvement opportunities to assist the Internal Audit Department further develop and move upward in the internal audit maturity continuum.

Improvement Opportunities



Standards 1000, 1010, 1100

1. Internal Audit Department Charter

The Internal Audit Department Charter should reference all mandatory IPPF requirements.

There are four mandatory requirements of the 'International Professional Practices Framework' (IPPF) issued by the Institute of Internal Auditors (IIA). The Crown Internal Audit Department Charter references the Definition of Internal Auditing and the Internal Audit Standards, but not the Core Principles for the Professional Practice of Internal Auditing or the Code of Ethics.

The Internal Audit Department Charter should therefore be updated to reflect IPPF Standard 1010:

The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing must be recognised in the internal audit charter.

Suggested wording for inclusion in the Internal Audit Department Charter could be:

Internal Audit will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing, and the principles against which to evaluate the effectiveness of Internal Audit performance.

A conflict of interest section could be considered for inclusion in the Internal Audit Department Charter.

A conflict of interest can impair an internal auditor's ability to perform their duties and responsibilities objectively. The Internal Audit Department Charter is silent on conflict of interest. It is suggested a conflict of interest section be included in the Internal Audit Department Charter that includes information on (a) conflict of interest (b) reporting conflict of interest (c) who makes the decision whether a conflict of interest exists (d) how this applies to service providers who may be procured to provide internal audit services. **Connect > Support > Advance**

Improvement Opportunities



Standards 1000, 1010, 1100

1. Internal Audit Department Charter continued

Appointment and termination of the Group General Manager Risk and Audit should be included in the Internal Audit Department Charter.

At present the Internal Audit Department Charter is silent on appointment, termination and performance assessment of the Chief Audit Executive (Group General Manager Risk and Audit). Neither is there commentary on this in the Audit Committee Charter. To ensure ongoing independence, the Internal Audit Department Charter should be specific about who appoints and terminates the Chief Audit Executive which should be the Audit Committee. Primary responsibility for assessing performance of the Chief Audit Executive should also rest with the Audit Committee and include input from the Chief Executive Officer.

Mutual obligations of internal audit and management could be included in the Internal Audit Department Charter or an Internal Audit Protocol.

At present the Internal Audit Department Charter is silent on internal audit and management mutual obligations, except to say the Internal Audit Department is 'authorised full, free, and unrestricted access to any and all of Crown's records, personnel and physical properties'. Clear mutual obligations could be specified, for example (a) internal audit obligation to consult with management (b) requirement for management to provide responses to internal audit reports within a specified number of working days. Alternatively, an internal audit protocol could be prepared for approval by the Audit Committee.

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Improvement Opportunities



Standards 1000, 1100, 1112

1. Internal Audit Department Charter continued

A further safeguard should be put in place where the Chief Audit Executive may also be responsible for a non-audit role.

At Crown the Group General Manager Risk and Audit has risk management responsibilities as Chief Risk Officer (2nd line of assurance) and also internal audit responsibilities as Chief Audit Executive (3rd line of assurance) Where the chief audit executive in an organisation may be responsible for internal audit and also another corporate function, the internal audit charter should contain wording to reflect safeguards in place where there is chief audit executive responsibility for a non-audit activity. At present the Crown Internal Audit Department Charter is silent on safeguards for non-audit roles.

Safeguard wording should be included in the Internal Audit Department Charter, for example:

Where the person occupying the role of Chief Audit Executive may be responsible for a non-audit activity, there are independence safeguards in place:

- *When responsible for a non-audit activity, the Chief Audit Executive is not performing audit duties when managing or performing that activity; and*
- *Review of a non-audit activity must be managed and performed independently of the Chief Audit Executive and reported direct to the Audit Committee.*

The Internal Audit Department Charter could be publicly available on the Crown website.

Charters for the Audit Committee and the Risk Management Committee are publicly available on the Crown website which demonstrates transparency around governance. Internal audit is an important component of the governance structure and consideration could be given to making the Internal Audit Department Charter also publicly available on the Crown website.

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Improvement Opportunities



2. Proficiency and Due Professional Care

Standards 1200, 1210, 1220, 1230

Specialist training could be provided to enhance internal audit operations..

There seems limited opportunity for Internal Audit Department staff to have access to professional development activities with direct correlation to enhanced internal audit operations. Examples may be (a) fraud investigation techniques (b) IT general controls (c) project assurance (d) data analytic techniques.

For example, in relation to fraud investigation techniques – internal auditors are required to have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud. In many organisations, internal audit departments are allocated fraud investigations because there is no other area of the organisation to perform the role. Management generally assumes that internal auditors are qualified to perform fraud investigations. However, internal auditors often do not possess the necessary knowledge and skill for successful fraud investigations and risk compromising investigations by being unaware of fraud investigation protocols. It may be beneficial for Internal Audit Department staff to receive training at a high-level by experts in investigation techniques to further recognise ‘red flags of fraud’ and to assure evidence may not be inadvertently compromised should an alleged fraud be discovered during an audit.

Improvement Opportunities



Standards 1300, 1311, 1320

3. Quality Assurance and Improvement Program

A more comprehensive quality assurance and improvement program should be established.

The Internal Audit Department has many quality elements in its work, but to bring it all together, a quality assurance and improvement program document should be established that incorporates all internal audit quality elements. This could include:

- A single quality assurance and improvement program document containing all internal audit quality elements – ongoing internal assessments, periodic internal assessments, external assessments.
- Reporting on internal audit performance measures (KPIs) designed to demonstrate internal audit performance.
- An annual independence statement – this already occurs.
- An annual assertion on conformance to the Internal Audit Standards.
- Annual conflict of interest declaration.
- Communication of quality assurance and improvement program results to the audit committee and senior management required by Internal Audit Standard 1320. It is recommended this be done annually.

The Group Internal Audit Manager has now developed a formal quality assurance and improvement program.

Further Internal Audit Department performance measures could be considered.

The main Internal Audit Department performance measure (KPI) seems to be completion of the Strategic Internal Audit Plan each year. This is an important KPI, though others could potentially be considered such as:

- Audit Committee feedback.
- Audit client feedback after audits.
- Effective use of internal audit budget and resources, including resource utilisation.
- Use of data analytics in audits.
- Internal audit quality.

A balanced scorecard approach to Internal Audit Department performance reporting could be considered.

Improvement Opportunities



Standards 2000, 2010, 2030

4. Specialist Internal Audit Resources

Internal audit should be provided with appropriate resources to supplement its in-house resources with technical experts where necessary.

As with many organisations, the small in-house Internal Audit Department at Crown would be unlikely to have the capability to audit specialist technical areas such as technology, specialist risk areas and other technical topics. These are often higher-risk topics where assurance is necessary for the board, audit committee and executive management.

For example, It is unclear how the Internal Audit Department could perform technology audit activities with no in-house technology audit capability and no allocated budget for technology audit outsourcing. We understand there is an IT Assurance section under the Chief Information Officer and modern assurance philosophy suggests duplication of assurance activities should be carefully considered and even avoided where possible. However, there should at least be periodic internal audit review of IT assurance activities from an independent perspective to provide a view on extent and effectiveness of the coverage.

3

Improvement Opportunities



5. Internal Audit Engagement Process

Standards 2200, 2300, 2400

The internal audit engagement process could potentially be enhanced.

Enhancements could be considered to the internal audit engagement process.

Refer following slides.

Internal Audit Engagement Process



Process steps	Issue identified	Suggested enhancements
Planning		
<p>Audit planning meeting – Conducted in-house within the Internal Audit Department.</p>	<ul style="list-style-type: none"> ➤ A more holistic engagement planning process with documented evidence could be considered. There should be further evidence of a structured, documented planning process or brainstorming workshop. ➤ For each audit there could be more documented analysis in the planning process of risks. ➤ Audit procedures review compliance with corporate procedures for the topic audited. There does not seem to be consideration of control frameworks such as COSO to obtain a broader view and analysis of the control environment. 	<ul style="list-style-type: none"> ➤ Consider use of a planning document or questionnaire for the audit team to consider macro factors and other elements in the audit planning process such as changes in the external environment, changes in technology, training, staff competency etc. to assure a holistic planning approach is undertaken. ➤ Consider brainstorming workshops at commencement of audits where it may be appropriate. ➤ Consider using a fraud risk identification questionnaire for each audit. ➤ Consider using a data analytics (CAATs) checklist for each audit. ➤ Consider including the five COSO elements in the audit planning process to ensure a holistic view of the control environment is considered and assessed.

Internal Audit Engagement Process



Process steps	Issue identified	Suggested enhancements
Planning		
<p>Scope document – Document describing objectives, scope and risks to be reviewed by the audit.</p>	<ul style="list-style-type: none"> ➤ The scope document could detail business risks to be examined as part of the audit. Management does not seem to have input into the risks to be examined. ➤ Scope documents for gaming audits do not change. While this may satisfy regulatory requirements, it may miss potential value-adding areas for example efficiency of operations which could potentially be included in the audit. ➤ Documented acknowledgement or sign-off by management of the scope document should be considered. 	<ul style="list-style-type: none"> ➤ Discuss preliminary risks identified for the audit with management to identify ‘what keeps them awake at night’ and include this in the audit scope. Consider a separate piece of expanded audit work to satisfy what is required by the regulator for gaming audits. ➤ Consider an operational audit approach for certain audits – these audits could be built around the 4 E’s of efficiency, effectiveness, economy and ethics. ➤ Include in the scope document the business risks to be reviewed by the audit. ➤ Consider obtaining scope document sign-off or at least document management’s acceptance of scope at the opening meeting.
<p>Opening meeting – Initial meeting with audit sponsor to discuss audit objectives and scope.</p>	<ul style="list-style-type: none"> ➤ The opening meeting should be documented. 	<ul style="list-style-type: none"> ➤ Prepare agenda for opening meeting. ➤ Ensure planning notes are kept from the opening meeting at which the scope is formally agreed, including any specific areas of management concern to be included in the audit.

Internal Audit Engagement Process



Process steps	Issue identified	Suggested enhancements
Reporting		
<p>Internal audit report – Final results of audit communicated to the audit sponsor.</p>	<ul style="list-style-type: none"> ➤ Strengths and good practices noted during the audit could be acknowledged in the report – this is supported in the Internal Audit Standards. ➤ Some audits reviewed took up to five months to complete and we were advised there can be delay obtaining management comments in a timely way. ➤ The report format is clear and easy to read. Findings are based on a 4 C's approach of criteria, condition, consequence and corrective action which is good practice. However, the 5th C – cause, which relates to root cause analysis is not well articulated in reports. 	<ul style="list-style-type: none"> ➤ Include strengths and good practices in audit reports. ➤ Consider alternative strategies for obtaining management comments such as organising a specific meeting or workshop where the audit team documents management comments and then inserts the proposed actions into the draft report for management review – this is offered by the Internal Audit Department where necessary. ➤ Apply formal and robust root cause analysis for audit observations and include in audit reports. ➤ Where reports go to the regulator, there should be a disclaimer on the report, unless the audit was conducted solely for a regulator for their specific use or reliance.
<p>Audit feedback questionnaire – Issued to audit sponsor and line manager after each audit to obtain management feedback on audit quality.</p>	<ul style="list-style-type: none"> ➤ Audit feedback questionnaires not returned could be followed-up. 	<ul style="list-style-type: none"> ➤ Consider sending audit feedback questionnaires to multiple people who were recipients of the audit. Where the questionnaire is not returned, consider other strategies such as a separate meeting with audit clients to obtain verbal feedback.

Internal Audit Engagement Process



Process steps	Issue identified	Suggested enhancements
Quality Review		
<p>Internal audit engagement quality review – Review process throughout engagement to assure quality of internal audit work.</p>	<ul style="list-style-type: none"> ➤ There is quality review applied across each phase of internal audit engagements and it is acknowledged the size of the Internal Audit Department enables quality review to be performed in an agile and adaptive way based on the nature of each engagement. However, formal documentation of sign-off to evidence completion of quality reviews at relevant engagement checkpoints, together with areas for improvements assigned to internal auditors, could be more consistently documented. 	<ul style="list-style-type: none"> ➤ Quality reviews completed on internal audit engagements could be more formally documented.

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Good Practice Suggestions

- The IIA–Australia has performed hundreds of Quality Assessments of internal audit departments in corporate and public sector organisations.
- The following slides contain good practice suggestions that could be considered for possible implementation at Crown.

Good Practice Suggestions



A. Internal Audit Reporting

Formal Internal Audit Department reporting arrangements to the Crown Perth Board could be considered.

At present the Internal Audit Department reports to the Crown Melbourne Board and also provides reports to the Crown Melbourne Executive Risk and Compliance Committee. With respect to Crown Perth, Internal Audit Department reporting is limited to the Crown Perth Executive Risk and Compliance Committee as there is no board audit committee.

Internal audit should be structured in such a way that it is independent of management and reports functionally for its operations to the audit committee. In the absence of an audit committee, internal audit should ideally make reports to the board of directors to ensure its independence is maintained and messages are delivered unfiltered.

The Internal Audit Department could make regular reports to the Crown Perth Board on specific Crown Perth internal audit activities, and also on Group internal audit activities which cover both Melbourne and Perth sites.

Good Practice Suggestions



B. Stakeholder Engagement Strategy

A more formal communication approach could be considered to further engage with stakeholders, further develop a partnership with management, and make the work of the Internal Audit Department more visible to the wider Crown.

The Internal Audit Department is already implementing improvements to its stakeholder communication approach, and this could be brought together into a formal stakeholder partnership model document which could include:

- An aspirational vision that is clearly defined to Crown.
- A strategy to make the wider Crown more aware of the internal audit services offered.
- Further exploring opportunities to align with Audit Committee and Senior Management expectations.
- Preparing an induction briefing and information pack for senior management and new Audit Committee members.
- Further developing the stakeholder engagement model.
- Gathering further information to provide clarity around the Crown 3 lines of assurance.
- Offering a wider range of services, perhaps through an internal audit service catalogue.
- Sharing systemic issues and 'lessons learned' found through internal audit work with the wider Crown, perhaps through thematic reporting.

Good Practice Suggestions



C. Innovation Forum

The Chief Audit Executive could consider facilitating an Innovation Forum to provide a focus on identifying governance and assurance innovation, improvements and good practices for possible implementation within Crown.

An Innovation Forum would be a multi-classification group with membership from across the wider Crown and in particular governance and assurance activities. The concept would be to capture ideas from bottom-up rather than top-down which could then be passed to management for consideration.

It would meet periodically with a primary focus to identify, assess, promote, communicate and implement innovation, improvements and good practices to improve the governance and assurance environment. Its focus would be on fresh ideas, rather than routine tweaking of what is already in place which would continue to be covered by existing processes.

An Innovation Forum could potentially address a range of matters relevant to Crown which may include, but not be limited to:

- Reducing assurance duplication and cost.
- Initiatives to enhance risk management, compliance and other assurance activities.
- Enhancing stakeholder interactions.
- Innovative governance and assurance practices.
- Policies, procedures, processes, work practices, methodology and supporting templates.
- Knowledge management, tools and techniques.
- Good practice, benchmarking and periodic review of performance measures.
- Professional standards and associated quality assurance practices.
- Initiatives to enhance strategic and annual planning.

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Good Practice Suggestions



D. Internal Audit Annual Report

Internal audit annual reporting could be enhanced.

The Internal Audit Department prepares reports on its activities, though we believe this could potentially be enhanced. An internal audit annual report draws together internal audit work and achievements for the year and demonstrates value delivered. It showcases the Internal Audit Department contribution over the previous year and features the capability of personnel. It shows trends, analysis, and commentary on themes. It reports where systemic issues were identified and highlighted. By doing so, it helps to enhance Internal Audit Department credibility by drawing the 'whole story' together.

Further inclusions in the internal audit annual report could include:

- Balanced scorecard reporting.
- Risk and challenges facing the Internal Audit Department and how they intend to deal with them.
- Attestation statement about conformance to the Internal Audit Standards.
- Statement of assurance from the Chief Audit Executive.
- Internal Audit Department initiatives going forward shown in a work plan for the coming year – this is not the strategic internal audit plan but actions the Internal Audit Department will take to improve its services and processes.

Good Practice Suggestions



E. Crown-wide Assurance Strategy

Development of an assurance strategy to make use of all assurance sources could be considered.

Internal audit is only one assurance mechanism in a suite of assurance mechanisms. These are often identified as the 3 lines of assurance, plus external assurance mechanisms. Ideally, all assurance activities and their effectiveness should be visible to the Audit Committee and Senior Management.

The purpose of an assurance strategy is to:

- Assess assurance coverage and effectiveness against key organisation strategies, risks and assurance requirements.
- Ensure there is a comprehensive risk and assurance process.
- Minimise duplication of effort.
- Identify assurance gaps.
- Minimise assurance cost.
- Provide comfort to stakeholders about the level of assurance.
- Help to understand where overall risk and assurance roles and accountabilities reside.
- Identify skills required to deliver assurance, as a guide to resourcing.

Assurance maps are generally the first step in this process and provide comfort that key organisation risks are adequately covered by assurance activities. An assurance strategy would go further than an assurance map, identifying strengths and improvements for all 3 lines of assurance, not just topics for the internal audit plan. The scope should include all Crown activities including projects and business initiatives to be delivered over a period of time.

It should be noted responsibility for preparing an assurance strategy would need to be determined by the organisation.

Good Practice Suggestions



F. Crown-wide Integrated Assurance Schedule

A formal integrated assurance schedule could be developed to more effectively plan and co-ordinate the overall assurance approach across Crown.

Internal audit at Crown is one assurance activity. There are others including compliance activities, quality activities and external audit. There are also regulator assurance activities. At present, there does not seem a co-ordinated approach for the various assurance activities and it may be a useful exercise to:

- Identify the various assurance activities across Crown – this would occur as an integral part of assurance strategy development (refer earlier slide).
- Ascertain their effectiveness.
- Determine areas of potential duplication and possible cost saving.
- Review whether consistent approaches and methodologies could be considered, including for assurance training.

A formal integrated assurance approach could then be developed to:

- More effectively plan and co-ordinate the overall assurance approach.
- Leverage work of the various assurance activities.
- Reduce possibility of duplication.
- Better inform management of the audits and assurance activities they can expect, and the timings.
- Collate themes from the results of the various assurance activities to better inform process improvement across Crown.

It should be noted responsibility for preparing an integrated assurance schedule would need to be determined by the organisation.

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Consideration of Risk Management and Internal Audit

Consideration of Risk Management and Internal Audit



At Crown there is a joint Risk Management and Internal Audit Department led by the Group General Manager, Risk and Audit. There is no reason risk management cannot be co-located with internal audit provided there are adequate independence safeguards in place which are generally stipulated in the internal audit charter. The following table suggests advantages and disadvantages of risk management and internal audit integration.

Advantages	Disadvantages
➤ Seen to be synergistic.	➤ Mixes 2 nd line of assurance and 3 rd line of assurance.
➤ Risk management and internal audit collaboration shares risk knowledge.	➤ Internal audit may be seen as part of the line management structure.
➤ Both provide an assurance, guidance and facilitation role.	➤ Internal audit independence may be questioned.
➤ Overlap in professional objectives.	➤ Roles may blur.
➤ Both are systems of internal control.	➤ Regulators may feel greater comfort when they are separate functions, with risk management seen as providing solid undiluted risk management services without distraction.

Given the Group Internal Audit Manager is responsible for managing the Crown Internal Audit Department, it may be useful for him to attend Audit Committee meetings to speak to the internal audit section of the meetings.

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Appendices

5 Pillars of 'Best in Class' Internal Audit



Audit Breadth

- *IT assurance including cyber risks.*
- *Fraud management, including conflicts of interest.*
- *Frameworks including governance, risk and compliance.*
- *Financial stewardship.*
- *Strategic risk assurance.*
- *Operational audit.*

Audit Planning

- *Risk assessment, prioritisation and integration.*
- *Assurance mapping.*
- *Consultation, analysis and research.*
- *Audit workforce and competency.*
- *Adaptive planning.*
- *Continuous monitoring.*

Client Excellence

- *Partnership with Audit Committee.*
- *Business alignment.*
- *Client reporting.*
- *Internal audit branding.*
- *Co-ordination with external auditors.*

Focus on Internal Audit Strategy

- *Vision for Internal Audit.*
- *Core values.*
- *Quality and continuous improvement.*
- *Audit process enhancement.*
- *Organisation structure.*
- *Co-sourcing.*

Maximising Impact of Internal Audit Resources

- *Recruitment, motivation and retention of Internal Audit staff.*
- *Capability framework.*
- *Employee skill-sets.*
- *Professional development program, including training needs.*
- *Resourcing flexibility.*
- *Staff engagement model.*

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Conformance Definitions



<p>Generally Conforms</p>	<p>Means that the assessor or assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standards or elements of the Code of Ethics, and at least partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the Standards or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.</p>	
<p>Partially Conforms</p>	<p>Means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section and major category, but falls short of achieving some major objectives. This will usually represent some significant opportunities for improvement in effectively applying the standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the Board of the organisation.</p>	
<p>Does Not Conform</p>	<p>Means that the assessor or assessment team has concluded that the activity is not aware of, is not making good-faith efforts to comply with or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significant negative effect on the internal audit activity's effectiveness and its potential to add value to the organisation. They may also represent opportunities for improvement, including actions by senior management or the Board.</p>	

Glossary



Term	Definition
Assurance	Assurance is a positive declaration intended to give confidence designed to improve the quality of information to aid informed decision-making.
ASX	Australian Stock Exchange.
Audit Client	The senior manager who will receive the final internal audit report and be responsible for implementing the recommendations.
Burswood Nominees Limited	Crown Perth.
CAATs	Computer-Assisted Audit Techniques.
CBOK	Common Body of Knowledge.
Chief Audit Executive	The term used in the Internal Audit Standards to refer to the person responsible for Internal Audit in an organisation.
CIA	Certified Internal Auditor.
Control	Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
COSO	Committee of Sponsoring Organisations which designed the COSO internal control framework.
Crown	Crown Resorts Limited including Crown Melbourne Limited and Burswood Nominees Limited (Crown Perth).

Glossary



Term	Definition
Data Analytics	Used to test controls and validate that business risks are managed. This would generally occur at a point-in-time when an assurance activity is scheduled. Rather than test a number of transactions, the entire population of transactions can be reviewed for greater coverage.
Engagement	A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.
Fraud	Any illegal act characterised by deceit, concealment or violation of trust.
Governance	The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward achievement of its objectives.
IIA	Institute of Internal Auditors.
Independence	The freedom from conditions that threaten the ability of the Internal Audit activity to carry out internal audit responsibilities in an unbiased manner.
Internal Auditing	An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
Internal Audit Standards	International Standards for the Professional Practice of Internal Auditing.

Glossary



Term	Definition
IPPF	International Professional Practices Framework – the conceptual framework that organises the authoritative guidance promulgated by the IIA.
IT	Information Technology.
MSA	Multi-stage audit.
Risk	Risk occurs when we try to achieve objectives in an uncertain environment. It is usually measured in terms of likelihood and consequence.
Risk Management	A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.
Value-Add	Internal audit adds value to the organisation and its stakeholders when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

About the Institute of Internal Auditors



The Institute of Internal Auditors (IIA) is the global professional association for Internal Auditors, with global headquarters in the USA and affiliated Institutes and Chapters throughout the world including Australia.

As the chief advocate of the Internal Audit profession, the IIA serves as the profession's international standard-setter, sole provider of globally accepted internal auditing certifications, and principal researcher and educator.

The IIA sets the bar for Internal Audit integrity and professionalism around the world with its 'International Professional Practices Framework' (IPPF), a collection of guidance that includes the 'International Standards for the Professional Practice of Internal Auditing' and the 'Code of Ethics'.

The IIA–Australia ensures its members and the profession as a whole are well-represented with decision-makers and influencers and is extensively represented on a number of global committees and prominent working groups in Australia and abroad.

The IIA was established in 1941 and now has more than 200,000 members from 190 countries with hundreds of local area Chapters. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

Reviewer Biographies



Andrew Cox

MBA, MEC, GradDipSc, GradCertPA, DipBusAdmin, DipPubAdmin, AssDipAcctg, CertSQM, PFIIA, CIA, CISA, CFE, CGAP, CSQA, MACS Snr, MRMIA

Andrew Cox is a corporate governance professional with extensive experience in governance, audit and risk management. He has managed Internal Audit Departments over his career including Senior Executive roles as National Manager of Internal Audit at Centrelink and Director of Risk Management Services for the Northern Territory Government.

He previously worked with the federal government of the United Arab Emirates, where he was Chief Operating and Project Director for a major capacity building project to develop external audit, implement performance audit, and put in place fraud control programs. He was responsible for the first performance audit in the United Arab Emirates (UAE) – ‘Preventing and managing diabetes’.

He is considered a subject matter expert at ‘auditing auditors’ and has performed more than 250 Quality Assessments of Internal Audit Departments in corporate and public sector organisations in Australia and internationally.

He has worked in Australia, Afghanistan, Bahrain, Bangladesh, Brunei, Fiji, France, Ghana, Indonesia, Iraq, Kuwait, Malaysia, Netherlands, New Zealand, Papua New Guinea, Qatar, Saudi Arabia, Uganda, UAE, UK and USA.

Internationally he has worked for the Asian Development Bank, Commonwealth Secretariat, Department of Foreign Affairs and Trade Australian Aid Program, Irish Aid, UK Department for International Development, World Bank, Institute of Internal Auditors, and the federal government of the UAE.

His clients have included Abu Dhabi Investment Authority, ActewAGL, ANZ Bank, Austrade, Australian Broadcasting Corporation, Australian National University, Australian Taxation Office, BHP Billiton, Department of Defence, Department of Human Services (Centrelink, Medicare), Department of Immigration, Dubai Investments, Energex, Hamad Medical Corporation, Hewlett Packard, Hydro Tasmania, Lockheed Martin, Lotterywest, Mobily, National Blood Authority, National Shipping Company of Saudi Arabia, NCB Capital, Rio Tinto, Saudi Public Investment Fund, Saudi Telecom, Sidra Medical and Research Centre, Suncorp, Western Power and Woodside Energy.

He has made presentations on internal auditing in forums in Australia and internationally and has taught internal auditing in Australia and other countries. He was formerly unit co-ordinator for postgraduate risk management at Murdoch University in Western Australia. He authored the IIA–Australia publication ‘Internal Audit in Australia’ and co-authored ‘Audit Committees – A Guide to Good Practice, 3rd edition’ issued by AICD / AUASB / IIA–Australia. He has authored white papers and fact sheets for the IIA–Australia.

He is independent chair of audit committees at the Department of Mines Industry Regulation and Safety in WA, MyLeave in WA, and the Queanbeyan–Palerang Regional Council in NSW. He is an independent member of audit committees at the Australian Institute of Aboriginal and Torres Strait Islander Studies, ACT Government Justice and Community Safety Directorate and City of Ryde in NSW. He was formerly a member of the assessment committee to evaluate applications for the NSW Government audit and risk committee prequalification scheme. He previously served on audit committees at the Department of the Prime Minister and Cabinet, the Department of Social Services and the Australian Public Service Commission. - 68 -

Reviewer Biographies



Tania Stegemann

MComm, GradDipAdvAcc, FCA, PFIIA, CIA, CRMA

Tania is a seasoned risk and assurance practitioner with over 25 years specialising in audit and risk. She has a strong focus on commerciality and achieving productive and practical outcomes through the risk, assurance and governance process. She has specific expertise in the development of risk and control frameworks in diverse, geographically dispersed and complex organisations and has worked extensively in emerging markets such as Asia and Africa.

Tania commenced her career in public practice, spending 10 years with KPMG and Ernst & Young in both the internal audit and external audit practices. She then moved into the corporate sector and has held senior roles with a number of Australian ASX Top 200' companies including Leighton Group, Rio Tinto, Suncorp, BHP and Tabcorp Holdings.

Tania was previously the Audit Manager Casinos Division for Tabcorp with sole responsibility for developing, conducting and delivering the internal audit plan for Tabcorp's (then) four casinos. During her time at Tabcorp Tania also worked extensively with the risk management function and was project manager for development of the Tabcorp Anti Money Laundering (ALM) framework.

Tania then moved into the mining and construction industries working as Global Practice Leader Internal Audit and Director Assurance Planning for Rio Tinto, and then Executive Audit Manager for the Leighton Group. During her time with Rio Tinto Tania was responsible for all aspects of internal audit methodology, internal audit delivery and quality assurance including establishment of an internal audit function at the company operations in Mongolia and assessment of the internal audit function of newly acquired subsidiaries in South Africa. At Leighton Tania was responsible for delivering the internal audit plan and managing the internal audit teams for two key businesses – Leighton Contractors (now CPB Contractors) and John Holland.

Tania is currently on special assignment as Director of Compliance for Catholic Professional Standards, an independent entity established by the Australian Catholic Church, where she is responsible for development of an audit, risk and compliance framework in response to recommendations arising from the Royal Commission into Child Sexual Abuse.

Tania is a strong and proficient communicator and presents regularly to the wider audit and risk community. She is passionate about education and training and has been a member of many advisory groups on risk and audit both nationally and globally, including IIA–Australia representative on the Standards Australia Risk Management Committee responsible for Australian adoption of the ISO 31000 risk management standard. She is also an IIA–Australia Board Director, Chair of the IIA–Global Research and Education Committee and past Chair of the IIA–Victoria Chapter.

Statement of Limitation



The Institute of Internal Auditors–Australia

This report has been prepared at the request of Crown Resorts Limited (Crown) in connection with our engagement to perform an independent external assessment of the Internal Audit Department at Crown.

All information included in this report is proprietary and confidential and is intended for internal use by Crown.

Other than our responsibility to Crown, neither the Institute of Internal Auditors–Australia nor the persons undertaking the external assessment take responsibility arising in any way from reliance placed by a third party on this report.

We believe the statements made in this report are accurate, but no warranty of accuracy or reliability is given in relation to information and documentation provided by Crown.

Considerable professional judgment is involved in performing an external assessment and developing this report. Accordingly, it should be recognised that others could evaluate the results differently and may draw different conclusions.



AGENDA ITEM 4:
Material Risk Update



Crown Melbourne Limited

Risk Report
November 2020

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SECTION 1 – EXECUTIVE SUMMARY

The purpose of this report is to provide:

- An overview of the main events that have materialised since the last report and an ongoing update on events that continue to remain materially relevant to the business;
- A dashboard that considers those events against the Board’s Risk Appetite thresholds;
- An assessment of how these events may impact on the risks facing the organisation, and therefore if adjustments to the corporate risk profile are necessary;
- An update on all material risks currently identified in the corporate risk profile (the ‘critical’ and selected ‘high’ risks in the updated Crown Resorts risk profile depicted as “material risks” in the Crown Melbourne Risk Map set out on page 6 of this report).

Since the last report in August 2020, a number of internal and external events have evolved or materialised, or continue to remain of material relevance, which have the potential to impact the overall risk profile of the organisation, and particularly its material risk exposures.

The key events that have taken place or remain relevant during the period include:

External Factors

The Melbourne property was closed on 23 March 2020, due to the declared national COVID-19 pandemic, and at the direction of government authorities.

From 28 October 2020, retail and F&B outlets started re-opening and Crown Towers re-opened on 8 November 2020. Gaming resumed in a very limited capacity on 12 November 2020, with no traditional table games (FATGs were available), and both patron numbers and time limitations on play.

The closure of the Melbourne property presents a number of medium to long term challenges, including restricted ability to operate (social distancing measures, hygiene and other government imposed conditions); no international business whilst Australian borders remain closed; risk of further waves of transmission of the virus; and customer confidence in returning to our premises.

The two main challenges faced during the Perth re-opening phase have been staff absenteeism and change in patron demographics (increased security incidents), both of which we believe were partially related to the JobKeeper payment. For re-opening activities in Melbourne, Management is aware of these challenges and taking them into account.

The impact of the second wave in Victoria is expected to damage the local economy further. The full impact of the pandemic remains to be fully understood on discretionary spending and overall employment, as the country entered its first recession in over 30 years.

On 29 October 2020, the Star Entertainment Group announced it is committing to smoke-free indoor environments (including in its premium gaming rooms) by the end of 2022. Note that outdoor gaming areas are permitted at The Star, however are prohibited by legislation in Victoria.

A new \$100 bill came into circulation on 29 October 2020.

Regulatory Matters

As previously reported, as a result of the allegations put by both the Nine Network (60 Minutes program, SMH and the Age) and Mr Wilkie, various investigations and inquiries are continuing involving ILGA, the VCGLR and AUSTRAC.

The ILGA Inquiry continues with the closing arguments from Counsel Assisting and Crown's submissions commencing during the week commencing 16 November 2020. Crown is considering, and will continue to do so, the feedback and any recommendations coming from the Inquiry, and will present any relevant process, governance or operational adjustments to the Committee and/or the Board for discussion.

The ACLEI investigation (Operation Angove) has concluded and none of the allegations of corruption were substantiated. Crown has provided a copy of the Report to its Australian Gaming Regulators.

VCGLR matters

On 7 September 2020, Crown Melbourne received a s 26 Notice from the VCGLR, seeking information (regarding dates and programs) relating to three persons (a Junket Agent, a Junket Operator and a Junket Player). Crown partially responded to the Notice, noting that for a full response Crown staff would be required to attend Crown Melbourne to review hard copy records. Advice was sought from the VCGLR as to whether it required Crown staff to attend Crown Melbourne, however no response was received.

Following Crown's response to the above s 26 Notice, on 2 October 2020 the VCGLR issued Crown with a Show Cause Notice as to why disciplinary action should not be taken against Crown with regard to the three persons noted in the s 26 Notice. The Show Cause Notice alleges that Crown failed to comply with clause 2.5.1 of the Junket Internal Control Statement, which requires robust processes to consider the ongoing probity of its registered Junket Operators, Junket Players and Premium Players. Crown responded to the VCGLR Show Cause Notice by the due date of 30 October 2020, with assistance from Minter Ellison.

During the period, Crown has continued to address, and engage with the VCGLR on the Recommendations made by the VCGLR as part of its Sixth Review of the Casino Operator and Licence. Seventeen Recommendations have been responded to by Crown within the agreed timelines (with one of the remaining three not yet due, one receiving an extension for completion as a result of the COVID-19 closure and the third, the meeting between the Commission and the Crown Resorts Board for Recommendation 20, having been postponed as a result of scheduling difficulties, COVID-19 and the ILGA Inquiry, to a date to be set).

As previously reported, as a result of media allegations against Crown reported in July 2019, the VCGLR provided notice of its intention to continue its investigation into the China Matter. The VCGLR noted its intention to obtain information from former Crown staff who were detained in China. Crown and Minter Ellison continue communications with the VCGLR on this matter. There has been no further material development since the last report.

Operational Matters

The JobKeeper program was implemented at Crown, which is helping to secure staff who have been stood down during the closure period and the limited re-opening in Perth. The government announced the continuation of the program past 27 September 2020, on adjusted terms. Crown Melbourne continues to be eligible for the JobKeeper payment for its staff past 27 September 2020.

As previously reported, Crown Melbourne received a show cause notice from the Melbourne City Council relating to combustible cladding on the Metropool Hotel (dated 11 April 2019). Crown lodged additional information on 22 May 2020 and the Victorian Building Authority filed its comments to the Building Appeals Board (**BAB**) on 12 June 2020. The BAB has not yet completed its final determination on this matter.

Crown is proactively replacing small sections of cladding along the Podium riverfront during this low traffic period and has conducted additional testing on the other buildings in the complex. A fire risk assessment is being sought from our external consultants to enable us to better understand risks posed and potential mitigation options.

Crown Melbourne has been developing the concept of **Safe Haven** for the last few months to improve support for employees in relation to matters concerning bullying, harassment, sexual harassment, domestic violence and drug and alcohol abuse. The concept articulates Crown's stance of zero tolerance of inappropriate behaviour and encourage employees to raise any concerns confidentially without fear of victimisation. The program also provides the umbrella for all support options available in relation to these matters.

The roll-out of Safe Haven has been accelerated following the receipt of a complaint alleging sexual harassment by one of our long-standing gaming service managers toward a member of his team. The allegations were investigated and found to be largely substantiated. That manager is no longer employed by Crown.

In addition to the roll-out of Safe Haven, an independent consultancy has been engaged to assess the culture within the gaming business (Table Games and Gaming Machines) in Melbourne concerning sexual harassment and the culture around raising complaints. This assessment, via a confidential survey was sent to all gaming employees, with 730 completing the survey. Focus groups are now being planned to gain additional qualitative data.

Crown's Riverbank outside dining went live on 2 November 2020 following approval from both with the Victorian Government and the Melbourne City Council (**MCC**). The locations include outside the Merrywell, Gradi, Bistro Guillaume, Ging Thai restaurants and more recently, Rockpool, as well as activation of a live site next to the river adjacent to Baci. A key consideration of this initiative is bicycle traffic mitigation measures, to avoid conflict with pedestrians. Discussions with MCC have resulted in agreement for bicycle speed calming measures to be designed by MCC (with Crown input) and installed by Crown. Meetings to start the design process are expected in the week commencing 16 November 2020.

MCC has also informed Crown of its intention to create bicycle lanes around the property (including on Whiteman and Queens Bridge Streets) as part of the city wide initiative to encourage the use bicycles as a form of safe and environmentally responsible transport. Traffic consultants, WSP, have been assisting us in responding to the MCC's proposal to minimise the impact to vehicular traffic flow around the property, most importantly to ingress and egress points. Discussions with MCC are ongoing.

Two of the property's six electrical generators have been replaced, with work on the commissioning of a third generator scheduled to be completed on Tuesday 17 November 2020. A fourth generator has arrived in port with two more expected by 1 December 2020. The final three generators will be commissioned by late Feb 2021. The replacement of the generators will ensure Crown Melbourne has redundancy in the event of a mains power outage.

The locking software system in all three Melbourne hotels is coming to end of life in November 2020 and won't be supported by the supplier beyond this date. The door locking replacement project is in

progress to update the door hardware and software to all hotels. Replacement of door locks in the Promenade will be the first priority. In the intervening period, Crown will draw down on its stock of spare parts and access the services of a third party contractor for support with hardware repairs whilst Crown's IT team will maintain the software.

Installation of crash rated bollards by MCC at either end of the Crown Melbourne Riverfront will commence on Tuesday 17 November 2020. The bollards are part of a city-wide counter terrorism initiative by the MCC to respond to the risk of hostile vehicle attacks. The project will take some months to complete. The existing bollard and temporary planter box bollards will remain in place until the MCC project is completed.

REDACTED - PRIVILEGE

The Spa team is particularly impacted against the Health & Beauty award. Hotels management and HR has been addressing this gap for the re-opening of the Spa operations.

AML/CTF Matters

Crown responded earlier in the year to s 167 Notices regarding a Compliance Assessment of Crown Melbourne's AML/CTF Program, with a focus on High Risk Customers and Politically Exposed Persons.

The AUSTRAC Regulatory Operations team identified potential non-compliance with the AML/CTF Act and Rules, including concerns with:

- Ongoing Customer Due Diligence (section 36)
- Adopting and maintaining an AML/CTF Program (section 81)
- Compliance with Part A of an AML/CTF Program (section 82)

The above three are all civil penalty provisions.

AUSTRAC has informed Crown Melbourne that the concerns have been referred to AUSTRAC's Enforcement Team which has initiated a formal enforcement investigation into the compliance of Crown Melbourne. A further s 167 notice was served on Crown on 16 October 2020 and work is underway (with the assistance of law firm Allens) to respond by the due date of 30 November 2020.

The Financial Action Task Force (FATF) was expected to visit Australia during Q1-Q2 FY20 to complete an assessment of Australia's compliance with international AML standards. Any adverse outcomes are likely to impact the legislative/regulatory framework in Australia, which could ultimately affect the obligations of reporting entities.

Crown was provided with a copy of AUSTRAC's draft Junket Risk Assessment for review and comment, prior to its publication. Crown reviewed the draft Risk Assessment and prepared and submitted its comments to AUSTRAC. We are yet to receive feedback on our comments.

Crown is currently responding to AUSTRAC's request for information related to AUSTRAC's casino industry risk assessment.

The ILGA Inquiry has focused on elements of Crown's AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown is engaged with AUSTRAC on this issue and is currently preparing a response to a number of queries AUSTRAC has put to Crown. Crown is continuing to review these accounts.

The AML/CTF team, with the support and leadership of the whole organisation, is progressing the implementation of the Joint AML/CTF program, which is substantially completed. Please refer to agenda item 7 for a detailed update on AML/CTF matters.

Three additional elements are worth noting:

- The recommendations of the Deloitte Junket approval and POI Process review are in the process of being implemented.
- With regards to enhancing Crown's engagement with Law Enforcement Agencies, Nick Kaldas is assisting Crown in creating a framework for collaboration and information sharing. A verbal update will be provided at the Committee on the progress of this initiative.
- Nick McTaggart, an associate of Nick Kaldas, has been engaged via Kaldas & Associates to provide recommendations on the existing AML/CTF framework, the junket approval process, analyse supply chain assurance and risks of infiltration and review the organizational risk appetite.

SECTION 2 – RISK APPETITE DASHBOARD











CATEGORY	QUANTITATIVE METRICS – RMC REPORTING TRIGGERS	NEW REPORTABLE EVENTS	REFERENCE
Financial	Outside normal trading EBITDA losses (per event), and/or adverse to the current (normalised) forecast	>\$10M	No
Brand / Reputation	Internal event creating a sustained share price loss	>5%	No
	Sustained negative national or international media coverage	Any event	Yes <i>ILGA</i>
Regulatory/ Legal	Breaches that may have a financial or reputational impact	Any event	Yes <i>VCGLR & AUSTRAC</i>
	Material legal action or class action	Any event	No
	Significant breach or event that has the potential to damage the relationship	Any event	Yes <i>VCGLR & AUSTRAC</i>
	Material responsible gaming issues including sustained adverse media	Any event	No
	Material service of alcohol issues impacting the liquor licences	Any loss of licence and/or points	No
People	Notifiable serious incidents with regulator involvement under workplace health and safety and other related legislation	Any event	No
	Sustained staff turnover and/or unplanned absences above average	Any event	No
	Loss or potential loss of key management personnel	Any event	Yes <i>COVID-19</i>
	Imminent industrial action	Any event	No
Customer/ Patrons	Negative event affecting segment of patrons (e.g. VIP, F&B, Hotel)	Over 20% or 20,000 patrons of segment type, or \$100M revenue	Yes <i>COVID-19</i>
Infrastructure	Security incident that threatens people or property	Any event	No
	Loss of other core IT infrastructure or multiple key systems	>24hrs	No
	External or internal security breaches resulting in unauthorised access to, or loss of, customer data likely to result in serious harm	Any event	No
	Loss of critical physical infrastructure	>24hrs	No
	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs	Yes <i>COVID-19</i>
	Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B > 24hrs	Yes <i>COVID-19</i>
Strategy / Business Sustainability	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event	Yes <i>COVID-19</i>
	Key strategic project delayed by 12 months or more	Any event	No
	Change in ownership share of related or third-party entity	Any event	No

SECTION 3 – PROPOSED ADJUSTMENT TO CROWN MELBOURNE CORPORATE RISK PROFILE

Consideration of key events

The key events described in the Executive Summary represent materialisation of risk events and they should be reviewed in light of the risks facing the organisation in the next 12 months. When key events escalate, or have the potential to escalate, the likelihood and consequence of risk should be reconsidered.

Below is a table that summarises how these key events are evolving against the relevant material risks, which gives an indication to the Committee members of whether the rating of those material risk should be reconsidered.

MATERIAL RISKS	EVENT TREND
1. Legislative / Regulatory Changes	<i>New events</i> 
2. Volatility of Premium Gaming	<i>No new events</i> 
3. Act of Terrorism on Property	<i>No new events</i> 
4. Major Reputational Damage	<i>Continuing Events</i> 
5. Litigation	<i>No new events</i> 
6. VIP Bad Debts	<i>No new events</i> 
7. Material Breaches of Gaming and other Relevant Legislation/ Regulations	<i>New events</i> 
8. Data Misuse	<i>No new events</i> 
9. Breakdown in relationships with key government, legislative or regulatory bodies	<i>No new events</i> 
10. External disruptors outside our control	<i>No new events</i> 

There are no changes proposed as a result of key events that have materialised or continue to evolve over the period. Reputational damage is ongoing via the impact of the ILGA Inquiry, but has already been considered in the risk rating, and the new breach events are based on historical practices.

Other Considerations

For other changes, refer to agenda item 5.2, annual review of the Corporate Risk Profile.

Crown Melbourne Corporate Risk Map - November 2020

		<i>Material Risks</i>				
Likelihood	Almost certain			14 - Major reputational damage	6 - External disruption to demand for our services	
	Likely	16 - Harm to persons on property		2 - Changes in key legislation or regulatory requirements		
	Possible	9 - Loss of key management 15 - Poor people management practices	7 - Physical Business Disruption 8 - IT business disruption 11 - Litigation 12 - Major criminal activities 13 - Ineffective responsible service of gaming (RSG) 23 - Failure in responsible service of alcohol (RSA)	1 - Material breach of gaming and other relevant legislation/regulation 5 - Poor credit or investment decisions 21 - Data misuse 22 - Breakdown in relationship with key government, legislative or regulatory body	3 - Act of terrorism on Crown property 4 - Volatility of gaming revenue	
	Unlikely	17 - Breakdown in strategic partnership with third party 19 - Unsustainable environmental management and ethical standards	10 - Reduction in property standards 18 - Industrial action			
	Rare				20 - Aviation accident	
		Insignificant	Minor	Moderate	Major	Severe

Legend:

Critical Risk	Oversight by the RMC/Board
High Risk	Managed by CEO and relevant EGMs
Moderate Risk	Managed by BOT members
Low Risk	Managed as part of BAU

SECTION 4 – UPDATES TO MATERIAL RISKS

1. Legislative and Regulatory Changes

The rating of this risk was increased at the June 2020 meeting, as the broad impact of the ILGA Inquiry over the regulatory environment of junkets and the VIP business was considered. The rating is now 'Almost Certain' and 'Major' (Critical), which means that it requires oversight from a Board Committee or the Board.

Crown believes it will have the capability and capacity to respond to these changes but anticipates that they could materially impact the business model.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Changes to legislation, regulation or Government policy covering the conduct of, and access to, gaming or broader operational and compliance processes in any jurisdiction in which Crown operates.</p> <p>Examples of changes include, but are not limited to:</p> <ul style="list-style-type: none"> • Increases in tax or additional levies and taxes • Changes to restrictions (where applicable) on the number, type, speed and location of gaming machines • Changes to mandatory minimum “return to player” on gaming machines • Changes to approved table games and approved rules of the games (where applicable) • Changes to restrictions on advertising and marketing, including online advertising (where applicable) • Changes in laws or changes in interpretation of laws dealing with promotion of gambling in foreign countries • Visa restrictions (where applicable) • Changes to online wagering regulations, affecting product offering (including exchange betting) • Changes to pre-commitment system • Changes to smoking exemptions 	<ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable) to reduce likelihood of change. • Maintenance of productive relationships with key stakeholders • Annual strategic planning and business planning processes. • Contingency planning, including business continuity plans. • Appropriate and targeted marketing campaigns. • Management monitoring of: <ul style="list-style-type: none"> – international competitors; – the VIP program and relationships; – local and domestic competitors in all jurisdictions in which Crown operates; – financial performance and trends. • Appropriate capital structure. • Capital investment in VIP facilities. • Effective escalation framework ensures matters are provided with adequate level of management oversight and response effort. • Targeted initiatives in product development, marketing, technology and people management to consistently demonstrate capability to differentiate gaming brands in a crowded market. • Revised operating plans • Engagement with medical experts. • Interpretation of changes, including through external advice, across all operational areas • For large changes: development of cross-functional project teams • Reporting to the relevant management or Board Committee on progress

MATERIAL DEVELOPMENTS

Crown Melbourne - Section 25 Review of the Casino Licence and Operator

Crown is working with the VCGLR to address each of the 20 Recommendations made by the Sixth s 25 Review of the Casino Operator and Licence. Seventeen Recommendations have been responded to by Crown within the agreed timelines (with one of the remaining three not yet due, one receiving an extension for completion as a result of the COVID-19 closure and the third, the meeting between the Commission and the Crown Resorts Board for Recommendation 20, having been postponed as a result of scheduling difficulties, COVID-19 and the ILGA Inquiry, to a date to be set).

With regards to recommendation 9, Crown requested an extension to the submission of the Responsible Gaming trial outcomes report due to the property being closed since the 23 March 2020, and data being unavailable for at least 6 months of the trial period. The original due date was 1 December 2020. The request has been approved.

Crown Melbourne – Liquor Control Reform Act

Management participated in a Ministerial Forum on Wednesday 7th October in respect to the Liquor Control Reform Act proposals. The changes being considered by the Minister, the Hon. Melissa Horne, have minimal impact in Crown's existing operations. The key change suggested in our December 2019 submission was for a differentiated penalty system for large venues such as Crown, but this was not seen as a priority. Consequently, Crown suggested that venues be granted an avenue of appeal to VCAT (currently any appeal against the loss/suspension of licence due to exceeding the maximum demerit points must be determined by the Minister). This suggestion is under consideration.

There have been no further developments on this matter since the last report.

ICS Review

The VCGLR has implemented a review of 10 of Crown Melbourne's Approved Internal Control Statements (ICSs), to propose amendments to strengthen their overall operation and minimise potential risks. The VCGLR proposed that Crown provide any feedback in writing, however, Crown has instead offered to prepare the revised drafts, which has been accepted. A meeting will be held on 13 November 2020 to discuss the first two of the ICSs to be reviewed, being Junket and Premium Player Programs and the Introductory Chapter. The remaining eight ICSs to be reviewed are: Cheque Cashing and Credit Facilities; Revenue Audit and Reporting; Cage Operations; Count Room and Drop Box, Drop Bucket and Note Stacker Collection; Surveillance; Security Operations; Table Games Operations and Gaming Machine Operations.

Other matters:

A number of other matters have not seen any developments since the last report, but remain in progress with potential material impacts to Crown, which include:

- The Black Economy Taskforce outcomes;
- AUSTRAC's casino industry wide Junket Risk Assessment;

2. Volatility of Gaming Revenue

The rating of this risk was adjusted during the annual review of the risk profile in June 2020, with consideration for the impact of COVID-19, the current Australian and state border closures and the fact that a reduced overall volume of VIP gaming revenue would exacerbate the volatility of the actual results when gaming resumes.

The likelihood was increased to 'Likely', and the impact remained at 'Severe' (overall 'Critical' risk) which means that the risk still requires oversight from a Board Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
Sustained unfavourable variations from theoretical win rates applicable to the gaming business (local and international). Whilst short term fluctuations are expected to occur, due to 'luck', reporting of theoretical over actual has normalised results over time.	<ul style="list-style-type: none"> Management monitoring and review of international commission business strategy including maximum bet limits and customer programs Increased data analytics on historical betting patterns Ad-hoc review by external experts of theoretical model and performance Strategies in place to ensure sustained turnover, meant to decrease impact of single large wins or losses Ongoing review of VIP operating model

MATERIAL DEVELOPMENTS

Crown Melbourne

As previously reported, Premium Gaming volumes must be maintained to mitigate the risk of prolonged negative deviations from theoretical win rates.

Due to the casino closures on 23 March 2020, as well as the earlier quarantine from China, there is currently no international gaming revenue.

Year on year turnover volumes and win rates are recorded as follows:

CROWN MELBOURNE	Dec 2017	June 2018	Dec 2018	June 2019	Dec 2019	June 2020	Oct 2020
YTD International and Interstate Turnover (\$b)	19.5	43.8	15.4	32.7	9.3	16.7	0 (Budget 1.0)
Win Rate (%)	1.21	1.29	0.99	1.39	2.28	2.11	0 (Budget 1.40)

Increased deviation between theoretical and actual win rates has the potential to impact overall business performance. Turnover is materially below budget, mostly due to the closure of the Australian borders (State and Country) and the continued shut down of the Melbourne property.

The Australian borders will remain closed for the foreseeable future, but some state borders will re-open in the near future.

Management is to continue to monitor trends, and action as appropriate.

3. Act of Terrorism on Property

The rating of this risk is largely aligned with the ASIO terrorism threat rating, as well as consideration for the prevention and response measures that Crown has in place. The rating has not been adjusted in the past 12 months, as the overall ASIO threat level remains consistent at 'probable', which is a 3 out of 5 possible rating scale.

Although the Melbourne property remains closed, it is not proposed that the rating be reduced during that period as Perth and Sydney are seeing extensive foot traffic.

Overall, the risk is rated as 'Critical', meaning under the oversight of a Board Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>The calculated use of violence (or the threat of violence) against Crown's properties, employees and/or customers in order to attain goals of a political, religious or ideological nature.</p>	<ul style="list-style-type: none"> • Emergency and crisis management and planning framework including: <ul style="list-style-type: none"> – Emergency management planning – Corporate crisis planning – IT disaster recovery planning – Terrorist risk assessments undertaken at property level – Counter terrorism escalation planning – Tailored training across all operational areas • Ongoing assessments and enhancements of deterrent measures on property, including by third parties • 24/7 monitoring by security and surveillance of relevant FOH and BOH areas for suspicious behaviours • Facial recognition technology in use • Maintenance of close and productive relationships with key law enforcement agencies and other authorities in relevant jurisdictions for intelligence gathering

MATERIAL DEVELOPMENTS

A current project to assist Crown's response is the purchase and installation of artificial intelligence system 'Briefcam', which will be useful in tracking law enforcement target individuals throughout the complex if required and the contact tracing of potential COVID-19 contacts. Crown Sydney will be the first property where the system is installed, which is scheduled to be completed prior to the property opening. Once completed, Crown Melbourne will be the next installation.

The Victorian Government has finalised its framework to allow certain locations of mass gathering to be "designated" locations for the purpose of deploying Protective Service Officers (PSOs). We understand the PSOs will be deployed on a user pays basis. We are currently making enquiries to understand the process for Crown Melbourne to be a designated area and the expected cost associated with the deployment of PSOs.

The CCTV Project to replace the current system, which was originally installed when the property opened, with the new Semsy 5 Surveillance System continues - system health checks, interface testing, communications centre workstation cutover and site acceptance testing remains ongoing with an expected completion by the end of November 2020. Completion of this project is a key element in the property's progression towards a fully digital surveillance system.

4. Major Reputational Damage

In light of the media activity that has been taking place over the past 15 months, as well as the public nature of the ILGA Inquiry, the rating of this risk was increased to Major/Almost Certain in February 2020. As expected, the ILGA Inquiry has generated extensive media coverage. Preliminary timelines suggest that the ILGA Inquiry will release its findings by 1 February 2021. We anticipate reputational challenge to be experienced over the next 12 months as a result.

Overall, the risk is rated as 'critical', meaning requiring the oversight of a Board Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the **rating should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Negative publicity/image of Crown and/or its affiliate businesses which may adversely impact Crown's reputation and/or performance and potentially jeopardise gaming licences.</p>	<ul style="list-style-type: none"> • Positive promotions of Crown's businesses which include, but are not limited to, raising awareness of Crown's breadth of business activity, corporate responsibility initiatives, responsible gaming commitments, employee inclusion programs and employee training to key stakeholders such as government representatives, regulators and key community leaders • Engagement of external advisers to assist with communications strategies and proactive management of negative media attention • Consideration of community expectations • Adherence to, and awareness of, relevant legislative and/or regulatory policy, adoption of group wide and property level Anti-bribery and Corruption and other integrity related Policies and training of relevant employees/contractors where applicable • Employee/contractor/supplier probity checks and performance monitoring and regulator licensing for relevant staff • Maintenance of close and productive relationships with key stakeholders, including with key law enforcement agencies and other authorities in relevant jurisdictions • Focus on corporate responsibility function and reporting • External advisory panels in place in key areas: RG, OSH • Development and adherence to Media Protocols and policy • Monitoring all customer facing online channels and advertising for disruptions or events that may be damaging to reputation • Privacy program and strict confidentiality protocols in place and staff training on privacy awareness • Cyber security program in place and staff training on cyber security awareness • Brand strategy, including engagement of external

Definition	Key Controls
	advisers <ul style="list-style-type: none"> • Escalation of material matters to the Board for oversight and guidance • Business continuity management and planning • Corporate crisis planning • Analysis of major events with root cause report to the Risk Management Committee and as appropriate the Board

MATERIAL DEVELOPMENTS

LEGALLY PRIVILEGED – Australian Resorts - Media allegations

Following Channel 9's 60 Minutes story featuring Crown on Sunday 28 July 2019, additional media stories have been released with allegations against Crown. These media reports, compounded by Mr Wilkie's allegations, led to a number of state and federal regulators pursuing investigations or inquiries regarding Crown.

To date the ATO, ILGA, AUSTRAC, and the VCGLR have all undertaken reviews into, or related to, the allegations formulated in the media.

The most exhaustive review is the inquiry undertaken by ILGA, undertaken with the powers of a royal commission. Hearings in the ILGA Inquiry commenced on 21 January 2020 and were subsequently postponed as a result of the COVID-19 pandemic. The ILGA Inquiry resumed with adjusted terms of reference to reflect the sale by Melco of its shares to a third party. Crown will consider the feedback and recommendations of the Inquiry and will present relevant process and governance adjustments to the Committee and/or the Board for discussion when the Inquiry completes and the findings are released.

Crown will continue to engage with relevant stakeholders and ongoing enhancement of governance structures.

Other matters:

Also see risk 7 - Material Breaches of Gaming and Other Relevant Legislation/ Regulations for details on a Show Cause Notice from the VCGLR and risk 11 – AML breaches on the enforcement action from AUSTRAC.

A number of other matters have not seen any developments since the last report, but remain in progress with potential impacts to Crown, which include the Dinner by Heston matter.

5. Litigation (Strictly Confidential – Under Legal Privilege)

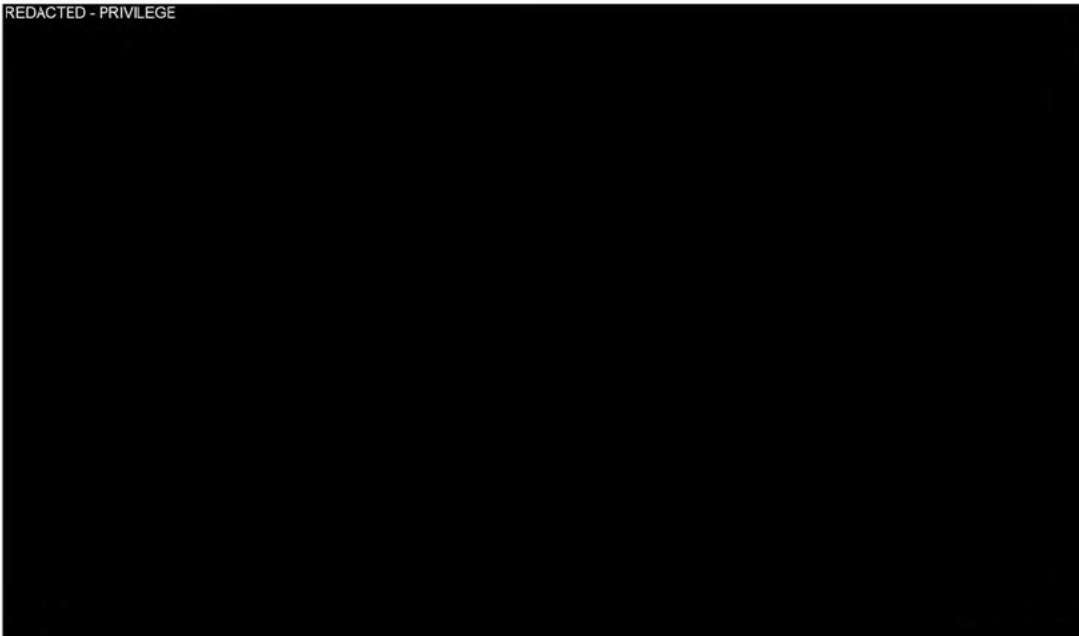
The rating of the risk of litigation was increased when the class action was filed. Based on the current status of the class action and current and expected legal activity, no additional material matters have warranted a change in rating.

Overall, the risk is rated as ‘High’, meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating should remain unchanged.

RISK DEFINITION

Definition	Key Controls
<p>Crown is exposed to potential material litigation by:</p> <ul style="list-style-type: none"> • Employees • Customers • Regulators • Shareholders (including potential class actions) • Other third parties 	<ul style="list-style-type: none"> • Effective engagement from advice functions (Legal, Compliance, AML, RG, WHS, Risk) to ensure proactive consideration of key risks in decision-making • Management monitoring of, and response to, legal issues in relevant jurisdictions • Adherence to, and awareness of, relevant legislative and/or regulatory policy including training of relevant employees/contractors where applicable • Employee/contractor/supplier probity checks and performance monitoring • Legal, governance and compliance frameworks in place • Insurance programs as appropriate • Engagement of internal/external legal advisors as required



REDACTED - PRIVILEGE



Other matters

Significant legal matters are reported throughout the reporting period via the litigation updates.

6. VIP Bad Debts

The rating of the risk of VIP Bad Debt was increased when the current class action was filed. Until the class action is resolved and in light of current and expected legal activity, no additional material matters have warranted a change in rating since then.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
Crown is exposed to the risk of default by customers across its affiliate businesses.	<ul style="list-style-type: none"> • Credit approval processes, including enhanced due diligence and validation of patrons through Central Credit Reports • Management monitoring of financial performance and trends • Management monitoring and review of credit policy • Engagement of external debt collectors and/or initiation of legal action (in authorised jurisdictions only) • Hedging to manage any potential foreign currency loss

MATERIAL DEVELOPMENTS

Australian Resorts – Bad Debt Position

Both Crown Melbourne and Crown Perth have continued to suspend the extension of credit to Chinese domiciled players with credit granted to other players on a selected basis only. The casino shutdowns, as well as the ban on international travel, which is expected to last some time into the new year, has further impacted the VIP business. The Board has also resolved not to carry on any junket business until at least 30 June 2021.

The debt position over the past 24 months for Crown Melbourne is tabled below:

CROWN MELBOURNE	31 Dec 18 \$m	30 Jun 19 \$m	30 Dec 19 \$m	30 Jun 20 \$m	31 Oct \$m
Gross debtors balance (net of safekeeping)	264.8	64.0	65.4	73.5	72.0
Provision for doubtful debts	(215.0)	(18.9)	(17.8)	(31.1)	(42.8)
Provision as a % of gaming debtors	81.1%	29.5%	27.2%	42.3%	59.4%
Net debtors balance	49.8	45.1	47.6	42.4	29.2

The appetite for credit risk has materially decreased across the Australian Businesses, and measures have been taken to reduce high exposure areas. Challenges with regards to processing of overseas transactions remains an issue.

7. Material Breaches of Gaming and Other Relevant Legislation/ Regulations

The rating reflects the fact that Crown's business operations involve a material amount of manual processes, which therefore has an inherent weakness related to human error. Extensive training and supervision are in place to address this inherent weakness, however a residual risk remains through, for example, errors in processes or interpretation of requirements.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Crown and its affiliate businesses operate in a highly regulated industry. There is a risk of systemic and/or serious breaches of regulatory requirements including:</p> <ul style="list-style-type: none"> • gaming, • anti-money laundering, • liquor, • promotion of gaming and liquor, • taxation or other regulatory/mandatory reporting requirements) 	<ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable) • Obtaining expert local and foreign legal advice in appropriate circumstances as required • Employee / contractor / supplier probity checks and performance monitoring • Extensive compliance training to relevant staff groups • VIP operating model protocols in place for foreign jurisdictions • Maintaining appropriate relationships with governments and regulators • Legal, governance and compliance frameworks in place in each business • Layers of operational auditing and compliance checks in place across critical areas (particularly gaming) • AML/CTF program • Periodic internal audit reviews of the effectiveness of controls and processes in place to manage Crown's compliance frameworks and the overall internal control framework • Whistle-blower Policy and hotline • Escalation of material matters to the Board for oversight and guidance • Business continuity management and planning • Corporate crisis planning • Analysis of major events with root cause report to the Risk Management Committee

MATERIAL DEVELOPMENTS

ASIC – Information Request

Crown responded to the ASIC Information Request in respect of the financial report for the year ended 30 June 2020, which it received on 13 October 2020. Crown will await ASIC's response.

Crown Melbourne – Section 26 Notice Requesting Information and Notice to Show Cause

On 7 September 2020, the VCGLR issued Crown with a section 26 Notice for Information relating to Junket Operations. The nature of the request was directed to a Junket Agent, a Junket Operator and a Junket player.

Following Crown's response to the above s 26 Notice (which Crown partially responded to, noting that for a full response Crown staff would be required to attend Crown Melbourne to review hard copy records. Advice was sought from the VCGLR as to whether it required Crown staff to attend Crown Melbourne however, no response was received), the VCGLR issued Crown with a Notice to Show Cause – Contravention of s 121 of the *Casino Control Act 1991* (Vic) on 2 October 2020 for alleged failures to comply with cl. 2.5.1 of the Junket ICS in relation to the three persons the subject of the s 26 Notice. Clause 2.5.1 provides:

2.5.1 Crown will ensure that it has robust processes in place to consider the ongoing probity of its registered Junket Operators, Junket Players & Premium Players.

It is alleged that Crown failed to:

- Establish a Junket Agent's business interests, therefore, failing to request and obtain all available and relevant information regarding the Junket Agent, in accordance with cl. 2.5.1.;
- Verify the accuracy of media allegations in relation to a Junket Operator, in accordance with cl. 2.5.1; and
- Exercise appropriate discretion in re-engaging with a Junket Player, in accordance with cl. 2.5.1.

Crown responded to the Notice to Show Cause by the due date of 30th October and will await the VCGLR's response. Please see further details in the Compliance report at agenda item 6.1.

Crown Melbourne – AUSTRAC Enforcement Team Investigation

Crown responded in late 2019 and early 2020 to s 167 Notices regarding Compliance Assessments of Crown Melbourne's AML/CTF Program, with a focus on High Risk Customers and Politically Exposed Persons.

The AUSTRAC Regulatory Operations team identified potential non-compliance by Crown Melbourne with the AML/CTF Act and Rules, including concerns with:

- Ongoing Customer Due Diligence (section 36)
- Adopting and maintaining an AML/CTF Program (section 81)
- Compliance with Part A of an AML/CTF Program (section 82)

The above three are all civil penalty provisions.

AUSTRAC has informed Crown Melbourne that the concerns have been referred to AUSTRAC's Enforcement Team which has initiated a formal enforcement investigation into the compliance of Crown Melbourne. The scope of the original review may be widened.

A further s 167 notice was served on Crown on 16 October 2020 and work is underway (with the assistance of law firm Allens) to respond by the due date of 30 November 2020.

ILGA Inquiry – Riverbank / Southbank

The ILGA Inquiry has focused on elements of Crown's historical AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown is engaged with AUSTRAC on this issue and is currently preparing a response to a number of queries AUSTRAC has put to

Crown. Crown is continuing to review historical transactions in these accounts which were closed in December 2019.

Other matters:

A number of other matters have not seen any developments since the last report, but remain in progress with potential material impacts to Crown, which include:

- Crown Melbourne – EGM Continuous Play
- Crown Melbourne – Mercury Wheel

8. Data Misuse

This risk was introduced as a separate risk in the May 2019 review of the Corporate Risk Profile. The rating is mostly a result of the progress of the enhancements to the data risk management program led by IT, which includes the Data Loss Prevention (DLP) project, as well as the PCIDSS project. There have been no major data privacy breaches, but the control framework will afford better protection to Crown once those key projects are implemented.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Sensitive information may be leaked or sold to external parties including customer information.</p> <p>Loss of confidential customer or commercially sensitive data is a growing risk as the online businesses expand and the use of 3rd parties and data volume increases.</p>	<ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of IT policy and security, with dedicated in-house IT data governance focus • Cyber security program in place with 24/7 monitoring performed by third party and staff training on cyber security awareness • Periodic penetration testing of IT systems, website and apps • External review regarding integrity of security systems such as source code scanning • Employee/contractor/supplier probity checks and performance monitoring • Employee confidentiality agreements and restrictive covenants • Intellectual Property Register • User access management processes in place for key applications, data and reports • Data loss prevention tools • Privacy program and strict confidentiality protocols in place and staff training on privacy awareness • Whistleblower Policy and hotline • CDW and TM1 reporting systems • Investigation and rectification of incident • Reporting to Privacy Commissioner as appropriate

MATERIAL DEVELOPMENTS

There have been no matters to report during this period. Please refer to agenda item 9 for further information on Crown's cyber program.

9. Breakdown in relationships with key government, legislative or regulatory bodies

This risk was introduced in the May 2019 review of the Corporate Risk Profile to reflect the increased enquiries and requests that Crown is receiving from its regulators, as well as reflect how important it is for the business to maintain professional and constructive relationships with all of its regulators. Reference to legislative bodies refers to Crown's ability to provide comments to draft legislation as allowable under the legislative process.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating should **remain unchanged**.

RISK DEFINITION

Definition	Key Controls
Crown operates in many jurisdictions and has to engage with a large number of government, legislative and regulatory bodies. A breakdown in these relationships could lead to targeted reviews, investigations, or actions by these bodies.	<ul style="list-style-type: none"> • Dedicated senior management and Directors engaging with relevant government stakeholders • Continuous reporting to the Board • Strong compliance culture reinforced by the legal, governance and compliance frameworks • Employee due diligence procedures and regulator licensing for relevant staff • Training and awareness • Brand Strategy, including engagement of external advisers • Escalate engagement to CEO / Chair levels as appropriate

MATERIAL DEVELOPMENTS

Please refer to sections 7 and 11 for details on the following elements which may lead to impact on the relationship with the relevant regulatory bodies:

- Crown Melbourne – Section 26 Notice Requesting Information and Notice to Show Cause
- Australian Resorts – AUSTRAC Enforcement Team Investigation
- ILGA Inquiry – Southbank / Riverbank

ILGA Inquiry

The ILGA inquiry continues with closing submissions currently underway by Counsel Assisting the Inquiry. Crown's submissions will commence on 17 November 2020.

Crown is considering, and will continue to do so, the feedback and any recommendations coming from the Inquiry, and will present any relevant process, governance or operational adjustments to the Board for discussion when the Inquiry concludes and the findings are released.

10. External Disruptors Outside Our Control

The rating of this risk was increased at the June 2020 meeting as a result of the COVID-19 outbreak being declared a pandemic by the World Health Organisation (WHO), Australia closing its borders and Crown being instructed to close its properties. This risk is currently the highest rated risk in the Crown Resort's Corporate Risk profile, due to its severe impact on operations.

Overall, the risk is rated as 'Critical', meaning that it is overseen by a Board Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**. The main concern at this stage, outside of the uncertainty regarding the re-opening of the Melbourne property (both timing and conditions), is the uncertainty that current conditions present for our workforce, and our ability to keep both the required volume of staff for operational effectiveness as well as key personnel.

RISK DEFINITION

Definition	Key Controls
<p>Unfavourable changes in Australian and international economic conditions, including change in government; global geopolitical event and hostilities, act of terrorism (outside Crown), natural disaster, pandemic, etc.</p> <p>Loss of international commission business to competitors in South East Asia and Las Vegas. Increase in local competition (both gaming and non-gaming).</p> <p>Key exposures include, but are not limited to:</p> <ul style="list-style-type: none"> Granting of additional gaming licenses Oversupply of non-gaming facilities (e.g. hotel rooms, Airbnb, restaurants and conference centre facilities) Expansion of online gaming Changes in consumer behaviours 	<ul style="list-style-type: none"> Dedicated senior management and Directors engaging with relevant government stakeholders Annual strategic planning and business planning processes Appropriate and targeted marketing campaigns Management monitoring of: <ul style="list-style-type: none"> international competitors; the VIP program and relationships; local and domestic competitors in all jurisdictions in which Crown operates; and financial performance and trends. Appropriate capital structure Capital investment in VIP facilities Targeted initiatives in product development, marketing, technology and people management to consistently demonstrate capability to differentiate gaming brands in a crowded market Revised operating plans Engagement with medical experts Effective escalation framework ensures matters are provided with adequate level of management oversight and response effort Contingency planning, including business continuity plans and disaster recovery plans Activation of Crisis Management Response Team as appropriate

MATERIAL DEVELOPMENTS

Crown Melbourne – Employee and EA considerations as a result of continued property shutdown

Whilst Crown Melbourne has commenced operating in a limited capacity, it is likely that a significant number of employees will be required to remain stood down for an extended period post reopening. Discussions are continuing with the United Workers Union with respect to delaying the commencement of some of the commitments made under the Main Enterprise Agreement (i.e. increase in full time positions, widening of part time bands etc.).

COVID-19 UPDATE

Australian Resorts (Melbourne and Perth)

On 11 March 2020, the WHO declared COVID-19 a worldwide pandemic.

Crown Melbourne and Crown Perth closed their doors on 23 March 2020. Over 95% of all of Crown's staff were stood down, and only minimal activity remained, which was in Hotel operations, with assistance being provided by Crown for travellers being quarantined after their return from overseas.

Crown Melbourne has received approval to commence the operation of a limited number of electronic gaming machines and electronic table games in accordance with restrictions agreed with the Victorian Government, including:

- restricting operation to ten designated VIP areas, each with a maximum capacity of ten patrons with no smoking permitted;
- physical distancing between patrons with every second electronic gaming machine and electronic table game deactivated;
- restricting patron activity to 90-minutes per day;
- a COVID Marshal for each area; and
- enhanced hygiene protocols.

Gaming operations commenced at noon on Thursday, 12 November 2020.

In addition, following the Victorian Government's recent announcements regarding the easing of restrictions in Victoria, select retail outlets re-commenced operations from 28 October 2020, select food & beverage outlets re-commenced operations from 2 November 2020 and Crown Towers Melbourne re-opened in accordance with Victorian Government restrictions.

In such a pandemic event, the main concerns with regards to re-opening the properties, are the ongoing health and safety of individuals, both employees, patrons and other stakeholders.

To prepare for re-opening, Crown has taken a number of steps, including:

- Crown is actively working with the relevant Health Departments and the State Government to set out procedures that will allow for the re-opening of the property in conditions that ensure the safety and wellbeing of all.
- The Executive team, led by the CEO – Australia Resorts, put together a project team that has worked on and continues to do so, the operational and strategic challenges that need to be considered and addressed for a successful re-opening process.
- Front of House and Back of House procedures have been developed detailing the physical distancing and hygiene protocols to ensure the safety and wellbeing of our staff and patrons, as well as the articulation of the new procedures that are in place for all in the workplace.
- A COVID-19 Response Manager has been appointed in each property, supported by a team, to ensure the above protocols are adhered to and enhanced as appropriate.
- The gaming floor in Melbourne has been reconfigured, with partition walls segmenting the floor into smaller areas.
- All staff are receiving state-mandated and Crown specific training as they re-engage with work.
- A Rapid Response plan has been developed to ensure all staff can respond promptly and effectively to any positive infection within the business.
- Crown has been actively developing ongoing strategies for re-engagement with both its staff and its patrons, as activities slowly start again.
- Internally, Crown Melbourne is also ensuring that as over 95% of staff have been stood-down and most departments across the organisation have materially stopped their day to day activities, it can re-activate its operations in a controlled and effective manner through

the activation of its recovery plans, which have been prepared by all departments and are ready to progress with, once notice is received that the business can reopen.

The reopening of Crown Perth on 27 June 2020, using the tools developed above, has provided testing for their effectiveness. A number of considerations have resulted from that opening, including the availability and willingness of staff to resume their functions on a part time basis while the JobKeeper payment was in place, and the requirement for increased and widespread uniform adjustments for staff returning after a prolonged period of absence.

The re-opening in Melbourne is seeing similar trends with absenteeism as was experienced in Perth, particularly in the F&B space.

Please also note that Crown has filed an insurance claim under its Industrial Special Risk Policy, having taken into account insurance broker and legal advice. The main insurers have declined the claim, and Crown is waiting on the outcomes of an industry led test case before it considers its next steps.



AGENDA ITEM 5:
Corporate Risk Profile Review



Crown Melbourne Limited

Audit Committee

To: Audit Committee

From: Anne Siegers

Date: 17 November 2020

Subject: **Annual Review of Corporate Risk Profile**

Dear Committee Members,

Although the material risks to the organisation are continuously reviewed through the events that take place and the decisions that are made on an ongoing basis, it is a healthy exercise to dedicate some time to the Corporate Risk Profile as a stand alone document.

In this respect, the Annual Review of the Crown Melbourne Limited Risk Profile has now been completed, a copy of which is attached as Annexure 1.

Corporate Risk Profile Review Process

A number of steps were undertaken as part of the review of the Corporate Risk Profile.

The Annual Review included a formal comparison with the Crown Resorts, Crown Perth and Crown Melbourne risk profiles, as well as an alignment of ratings with the new tools and methodology now used by the Risk team. In the past 12 months, a number of risk profiles have been created below the Corporate Risk Profile to capture risks across the key operational areas of the organisation and ensure an effective 'top-down / bottom-up' risk identification process is in place. Not all business unit risk profiles are in place at this stage, but we anticipate that they will be in the next 12 months.

All Risk Profiles are now in alignment with the approved Board Risk Appetite and associated Risk Matrix.

Other sources of information have also been considered in carrying out the Annual Review to assess whether there are any apparent emerging or other relevant risks that need to be taken into account by Crown.

As expected, external events and business disruption have taken a greater priority in external risk assessment data, as have related challenges such as diversification of revenue and supply chain, cyber protection, workforce management, remote working challenged including WHS elements, mental health, and more strategic concerns such as sustainability of business models, cost optimisation and balance sheet and treasury health.

The process of considering external sources of risk identification allows the input of external ideas, providing greater assurance that material risk areas are not missing from Crown's risk landscape.

Proposed addition of new risks

At its last meeting, and considering the external focus provided through the ILGA Inquiry on AML, the Crown Resorts Risk Management Committee proposed that the risk of *Material breaches of legislative/regulatory requirements* be split into two, so the AML elements would be a stand-alone risk.

In the Crown Resorts risk profile, the risk #5 of *Poor Credit and Investment Decision* is split into *VIP Bad Debt* and *Suboptimal Investment Decisions*. It is proposed that this be reflected in the Crown Melbourne corporate risk profile, and that the VIP Bad Debt risk be focused on our existing Account receivable balance and our ability to collect any outstanding debt, while the second risk be focused on future credit decisions.

Proposed deletion of existing risks

There are no proposed deletions of existing Risk.

Proposed Changes to Risk Titles

There are no proposed changes of risk titles.

Proposed Changes to Risk Definitions and Controls

A number of proposed adjustments to definitions, causes, consequences and controls are proposed which are highlighted in tracked form for your ease of identification in Annexure 2.

Proposed Changes to Risk Ratings

Risk	Change	Comments
2. Changes in key legislation or regulatory requirements	Increase likelihood rating to a 5, with overall Risk Rating increasing to Critical .	<p>This risk currently has a likelihood rating of "4", which is defined as a "likely" risk and a consequence rating of "4" which is defined as a "major" consequence.</p> <p>It is expected that there will be legislative or regulatory changes resulting from the ILGA Inquiry and, on that basis, it has been suggested that the likelihood rating be increased to "5", which is defined as a "almost certain".</p> <p>The overall risk profile will increase to Critical.</p>

Recommendation

The Audit Committee review and provide comment on the Corporate Risk Profile. Subject to any changes, the Audit Committee endorse the updated version of the Corporate Risk Profile.

Anne Siegers
Group General Manger, Risk and Audit

Annexure 1 – Crown Melbourne Limited - PROPOSED RISK MAP

		<i>Material Risks</i>				
Likelihood	Almost certain				14 - Major reputational damage 2 - Changes in key legislation or regulatory requirements	6 - External disruption to demand for our services
	Likely		16- Harm to persons on property		VIP Bad Debt (25) NEW	
	Possible		9 - Loss of key management 15 - Poor people management practices	7 - Physical Business Disruption 8 - IT business disruption 11 - Litigation 12 - Major criminal activities 13 - Ineffective responsible service of gaming (RSG) 23 - Failure in responsible service of alcohol (RSA)	1 - Material breach of gaming and other relevant legislation /regulation 5 - Poor credit or investment decision 21 - Data misuse 22 - Breakdown in relationship with key government, legislative or regulatory body AML Breaches (24) NEW	3 - Act of terrorism on Crown property 4 - Volatility of gaming revenue
	Unlikely		17 - Breakdown in strategic partnership with third party 19 - Unsustainable environmental management and ethical standards	10 - Reduction in property standards 18 - Industrial action		
	Rare					20 - Aviation accident
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

Legend:

Critical Risk	Oversight by the RMC/Board
High Risk	Managed by CEO and relevant EGMs
Moderate Risk	Managed by BOT members
Low Risk	Managed as part of BAU

Risk No.	Risk Title	Risk Definition	Cause	Most Likely Outcome	Inherent			Controls	Residual			Action		
					Consequence Likelihood	Rating	Category		Consequence Likelihood	Rating	Strategy			
1	Material breach of gaming and other relevant legislation / regulations	Systemic and / or material breaches of legislative and other relevant regulatory requirements (including Privacy legislation Retail Tenancies legislation Consumer and Competition legislation Tobacco legislation Customs legislation / Regulations)	<ul style="list-style-type: none"> - Loss of data; PCIDSS breach Privacy breach - Change to any element of casino operations without regulatory approval - Poorly designed processes (not complaint) - Inadequate training of staff - Human error - Malicious action by staff or related party 	<ul style="list-style-type: none"> - Potential loss of Regulator Confidence or regulatory intervention - Financial and other penalties - Reputational damage - Health & Safety concerns - Revocation or Suspension of Liquor Licence/ imposition of Dement Points - Up to 5% (\$7m) impact on projected Table Games annual contribution - Possible legal action for civil damages - Possible adverse publicity - Criminal prosecution: Officer Imprisonment 	Severe (5)	Likely (4)	Critical	<ul style="list-style-type: none"> - Adherence to and awareness of relevant legislative / regulatory policy including development of compliant processes and guidelines training of relevant employees / contractors where applicable - Legal & Regulatory Compliance Program including gaming audits and oversight by Board and management committees - Employee /contractor / supplier probity checks and performance monitoring - Management monitoring and investigation of Disciplinary Actions issued by the regulators (including VCGLR) and where applicable the determination of remedial action to reduce future exposure - Ongoing / periodic internal compliance / review processes - Obtaining expert legal advice in foreign jurisdictions - Dedicated Gaming Integrity Manager to table games - Privacy program: including Privacy Policy Privacy Compliance Program Privacy compliance guide dedicated Privacy manager - Crown IT management software licence practices (in conjunction with Procurement Legal & Regulatory Services) - Vetting of proposed advertising programs co lateral initiatives new table games and trade marks by Legal & Regulatory Services (and relevant gaming management where appropriate) - Monitoring of customer satisfaction and complaints for issues and trends - PCIDSS compliance program including regular external compliance assessments <p> •Escalation of material matters to the Board for oversight and guidance. •Business continuity management and planning. •Corporate crisis planning. •Analysis of major events with root cause report to the Audit Committee </p>	Compliance/regulatory	Major (4)	Possible (1)	High	Reduce	<ul style="list-style-type: none"> - External provider (Trustwave) to implement PCI DSS strategy across Crown Melbourne and Crown Perth (within a minimum 5 year timeframe) - Target completion for PCIDSS compliance is May-2020 2021 - Complete the implementation of compliance program including CURA surveys
2	Changes in key legislation or regulatory requirements	Changes to legislation regulations or Federal / State Government policy covering Crown Melbourne's operations including the conduct of and access to gaming have the potential to adversely impact performance including: <ul style="list-style-type: none"> - Changes to restrictions on the number type speed and location of gaming machines; - Changes to mandatory minimum "return to player" on gaming machines; - Changes to approved table games and approved rules of the games; - Changes to restrictions on advertising and marketing; - Automatic Teller Machine (ATM) restrictions / removals; - Increases in tax or additional levies and taxes; - State Government commitment to review Crown Melbourne "exemptions"; - Approval of new gaming products (Responsible Gaming Council of Victoria). - Imposition of further or more restrictive mandatory pre-commitment systems and the potential impact on revenue and the operation of Crown Melbourne's business. - Loss of State Government approved smoking exemptions permitting designated "high roller" smoking areas within the casino complex; and - Restrictions to areas where smoking is currently permitted 	<ul style="list-style-type: none"> - Crown falling in meeting its current exemption requirements - Change in political landscape - Change in competitive landscape - Influence by third party union interest group - International event impacting domestic landscape - Black economy report and \$10 000 cash limits 	<ul style="list-style-type: none"> - Possible loss of smoking exemptions covering Teak Room and V P Slots requiring reconfiguration of rooms to create smoking terraces and / or migration of patrons to the Mahogany Room. - Reduced patronage due to a decrease in the frequency and / or duration of patron visits loss of some regular smoking patrons and resultant decrease in gaming revenue and associated on-spend 	Major (4)	Likely (3)	High	<ul style="list-style-type: none"> - Engagement and-lobbying: ongoing communication and engagement with Government Regulators and other stakeholders (e.g. union employees). - Maintenance and positive promotion of Crown Melbourne corporate profile and its Responsible Service of Gaming Initiatives - Smoking monitoring framework including Executive Committee (ETMAC) responsible for the monitoring and consideration of all matters related to the management of Environmental Tobacco Smoke Escalation process for the management of air quality complaints and Air Quality Plan and maintenance regime - Adherence to and awareness of relevant legislative / regulatory policy including compliance framework (including legal requirements register) training of relevant employees / contractors where applicable and training of relevant employees in Responsible Service of Gaming best practice and enforcement of VCGLR approved Responsible Gambling Code of Conduct. <p> •Interpretation of changes including through external advice across all operational areas •For large changes: development of cross-functional project teams •Reporting to the relevant management or Board committee on progress </p>	Compliance / regulatory	Major (4)	Almost Certain (5)	Critical	Monitor	



Risk No.	Risk Title	Risk Definition	Cause	Most Likely Outcome	Inherent		Controls	Residual				Action	
					Consequence Likelihood	Rating		Category	Consequence Likelihood	Rating	Strategy		
3	Act of Terrorism on Crown property	The calculated use of violence (or the threat of violence) against employees and / or customers in order to attain goals of a political religious or ideological nature. The nature and extent of any act may be varied and hence difficult to define	External motivation including from staff	<ul style="list-style-type: none"> Operations disrupted including likely evacuation and closure of casino complex and resultant loss of revenue (e.g. gaming food & beverage tenancy revenue) Significant impact on employee morale Isolated or multiple serious injuries and / or fatalities; National and potentially international media coverage; 	Severe (5)	likely (4)	<ul style="list-style-type: none"> Maintenance of close and productive relationships with key law enforcement agencies and other authorities including senior law enforcement officials at State and Federal levels ASIO and other Government agencies to ensure timely advice regarding intelligence impacting Crown Melbourne Extensive focus on security operations and procedures including training risk assessment prior to functions or events Emergency and specific terrorism management response framework including Emergency Crisis and business continuity management planning and testing Terrorism Risk Management Plan Emergency messaging system (ATHOC) Department procedures and training including weekly training exercises for Security / Surveillance operatives and on line training for a l Crown Melbourne employees regarding response to a terror event. Monitoring and surveillance of casino operations and surrounds Control led and restricted access to sensitive areas of the casino complex including the identification of critical infrastructure locations and security vulnerabilities appropriately addressed including Back Of House entry / exit points integration of alarms and cameras installation of biometric locks acquisition of iTrack contractor management system. Employee / contractor / supplier (gaming related) probity checks and performance monitoring. Ongoing / periodic external review processes covering Essential Services Maintenance Evacuation / Disaster Planning Employee communication strategy regarding Back of House security measures and awareness Extensive engagement with relevant external stakeholders including: <ul style="list-style-type: none"> Monitoring of the National Terrorism Threat Advisory System and Australia's current National Terrorism Threat Level in order to appropriately respond to such change as required Participation in Victoria Police 'Places of Mass Gathering' Forum to benchmark Crown Melbourne's security measures against best practice 	Infrastructure / People	Severe (5)	Possible (3)	Critical	Monitor	Looking to introduce PSO (armed security - Police employees) on site - work underway to have Crown classified as 'designated site'. This should assist in creating more deterrent controls as well as decrease response times in case of an event.
4	Volatility of gaming revenue	Short term deviations from theoretical win rates applicable to Premium Gaming business have the potential to impact performance. Changes to the terms and conditions of Premium Gaming business play increase exposure.	<ul style="list-style-type: none"> Luck Loss of volume increasing impact of winning outcomes due to: International trading conditions and pressures (ex China-US relations) Restrictions by other jurisdictions on movements of funds Digital gaming or new entrants channeling part of the gaming revenue out of Crown 	<ul style="list-style-type: none"> Offering a higher differential will increase volatility in the short term (intra visit). Over the long term revenue will normalise to the theoretical mean (1.35% of turnover). 	Severe (5)	Highly likely (5)	<ul style="list-style-type: none"> Financial budgeting and forecasting: <ul style="list-style-type: none"> Annual strategic planning and business planning processes including monitoring and review of Premium Gaming strategy (e.g. maximum bet limits structuring of table limits to achieve an appropriate balance between potential volatility of win rates customer satisfaction and commission payable and customer programs) Management monitoring of financial performance and trends External results reported on Theoretical win-rates streamline the impact of material deviations and provisioning levels assist in absorbing short term deviations. 	Financial	Severe (5)	Possible (3)	Critical	Monitor	
5	Poor credit or investment decisions	<ul style="list-style-type: none"> Risk of default by Premium Gaming customers resulting in financial loss Non-payment of debts particularly in light of exposure to domestic / international corporate market (e.g. conferencing) Loss of tenancy revenue from a single / small number of tenants (due to loss of base / turnover rent in excess of three month bank guarantee). Foreign currency losses due to the holding of cash reserves during customer visits. Insufficient insurance coverage over Crown Melbourne resulting in financial loss. 	<ul style="list-style-type: none"> Poor credit decision Change in patron or customer circumstance Material change in FX market impacting outstanding debt No or inadequate insurance cover in place following specific event / incident resulting in Financial Loss. 	<ul style="list-style-type: none"> Default by one / isolated patron(s) Financial loss Foreign currency loss 	Severe (5)	Highly likely (5)	<ul style="list-style-type: none"> Management monitoring of financial performance and trends including adherence to established credit policy <ul style="list-style-type: none"> Engagement of debt collectors and / or initiation of legal action (restricted to customers based in / or with assets in Australia Hong Kong or Taiwan) Extensive credit checks and process prior to awarding credit to foreign patrons. Hotels and F&B department procedures and training including: <ul style="list-style-type: none"> Completion of credit checks (via Credit Application) where applicable and enforcement of contractual terms and conditions (e.g. deposit payment schedules) Review of debtors ageing by Hotels management VIP International procedures and training including loading (over and above applicable exchange rate) applied to selected foreign currency transactions Premium / Junket Program patrons to repurchase post settlement foreign currency held by the Cage (note only if Patron wins) High volume of foreign currency transactions reducing Crown Melbourne's exposure to single foreign currency movements (natural Hedge) Engagement of external insurance brokers to ensure relevance and currency of insurance program with review and oversight by Crown Resorts Board and Crown Resorts Board Risk Management Committee 	Financial	Major (4)	Possible (3)	High	Monitor	



Risk No.	Risk Title	Risk Definition	Cause	Most Likely Outcome	Inherent			Controls	Category	Residual			Strategy	Action
					Consequence Likelihood	Rating	Rating			Consequence Likelihood	Rating	Rating		
6	External disruption to demand for our services	External factors to Crown impacting business volumes or margins including: international competition domestic competition economic conditions foreign political polities or global event	Increased international or domestic competition New market player including market disruptor (digital etc.) Change in local spending pattern (granting of additional gaming licenses economic conditions) Global event (terrorism natural disaster pandemic GFC equivalent...) Political actions in countries from which a significant volume of business originates (e.g. Chinese Central Government policy restricting one or more of currency movement real estate development international travel of politicians and dignitaries changes in laws or changes in interpretation of laws dealing with promotion of gambling)	Decrease in patronage and resultant decrease in gaming revenue and associated on spend including: Up to 20% of projected VIP Gaming annual contribution (\$15m) Financial loss up to \$500k (Hotels) Short term decrease in Hotel revenue (pressure of rate growth). Possible reduction in associated on – spend. Decrease in Food & Beverage projected annual contribution of up to \$700k Reduced Margins Responsible Gaming Legislation and Anti – Smoking Legislation may have led to an erosion of perceived competitor strengths and resultant increase in market share. At the very least no sign ficant worsening of Crown's market share is likely in the medium to long term.	Severe (5) Almost Certain (5)	Critical	<ul style="list-style-type: none"> Ongoing monitoring and review of domestic and international competitors Management monitoring of financial performance and trends Ongoing maintenance / refurbishment of casino complex to ensure property standards and attractability Strategic marketing initiatives (subject to Crown Melbourne's profitability being maintained) Cross property Margin Improvement Program Contingency planning Adherence to and awareness of relevant legislative / regulatory policy adoption of Crown Resorts Anti – bribery and Corruption Policy development of compliant processes and guidelines training of relevant employees / contractors where applicable Monitoring and review of Premium Gaming strategy Obtaining expert legal advice in foreign jurisdictions 	Financial	Severe (5) Almost Certain (5)	Critical	Monitor			
7	Physical business disruption	Business being disrupted because of physical threat or damage to Crown property.	<ul style="list-style-type: none"> Unauthorised employee / contractor and others access to restricted area(s) of casino complex via either malicious intent or access incorrectly granted Full or partial loss of power gas or water supply to the casino complex. Isolated fire (e.g. kitchen bin or car) may result in employee/ patron injury disruption to operations due to potential evacuation and closure of affected area(s). Patron violence intoxication drug abuse assault theft unattended children etc which results in patron or employee harm and / or reputation damage. Widespread infection(s) to employees / contractors / customers including possible fatality. Flood / water damage from pipe fracture/ageing pipes silage tank fire sprinkler or weather event. Incidence of theft break-in attempted break-in and wilful damage in Multi-Deck and Basement car parks and the resultant potential loss of public confidence. Damage to customer motor vehicle in the Valet carpark. Social disruption: protest march picketing of entrances verbal / visual demonstration etc. including possible closure / cordoning of affected area(s) 	Evacuation and closure of affected area(s) Ongoing incidents of a minor nature incidents of a serious nature resulting in serious injury(ies) to employee(s) / patron(s) / contractor(s) / visitor(s) and possible fatality Flooding / damage to property (\$1m) Damage to CCTV (refer Security) Computer equipment (refer MIS) Indirect / direct cost to Crown in the event of employee / contractor WorkCover claim(s) In the event of serious injury to employee(s) employee morale impacted and possible disruption to operations with resultant decrease in revenue (e.g. gaming food & beverage tenancy revenue) Public criticism patron / employee claims and criminal charges; reputational damage brand and patronage and increasing exposure to external stakeholder scrutiny. Possible malicious act(s) including theft of Crown property Adverse publicity and resultant short term decrease in revenue (e.g. gaming food & beverage tenancy revenue) Possible damage to third party property (ex: parked vehicles)	Severe (5) Likely (4)	Critical	<ul style="list-style-type: none"> Redundancy of all ties supply infrastructure (including power (x3) gas (x2) water(x3)) as well as on site back-up generators Security and surveillance framework in place including 24/7 monitoring and surveillance of casino operations and surrounds patrols training staff and contractor probity checks Emergency response framework including planning communication engagement with law enforcement and emergency response units drill Ongoing / periodic external review processes covering Essential Services Maintenance Evacuation / Disaster Planning, Fire Safety Electrical Installations Essential Services Maintenance Evacuation / Disaster Planning including by property insurers plumbing works / hydraulic installations Controlled and restricted access to back of house facilities including biometric lock to sensitive areas and track for contractors Compliance with regulations covering the screening of Crown aircraft (Civil Aviation Safety Authority customs immigration quarantine and inspection service guide lines). Compliance with Public Health & Wellbeing Act (2008) and associated Public Health & Wellbeing Regulations (2009) in respect of Cooling Tower registration maintenance of a Risk Management Plan minimum monthly water testing and completion of an annual independent audit Reliance on Federal and State based controls and procedures (Department of Human Services) Management monitoring of updates issued by World Health Organisation Department of Health & Ageing and Department of Foreign Affairs & as well as response and control activities of other businesses in the tourism leisure and entertainment industry (e.g. Qantas Jager's Star City) Discouragement of all non-essential travel to affected areas as appropriate 	Infrastructure	Moderate (3) Possible (3)	High	Reduce	<ul style="list-style-type: none"> Subject to commercial feasibility utilise excess water run-off from cooling towers via connection with ID's toilets. Further future proofing Crown Melbourne's amenities and reducing water waste. This is still being investigated and we get approval will form part of a secondary strategy of water catchment from a newly installed roof on Level for that is in close proximity to the Cooling towers and ID's toilets. We will soon be placing an order for 3 new generator engines as part of an overall upgrade of our 6 main Tri-Generators. This project has been spread over 3 FY: F18 - Dec 2018 Place order for 3 new Engines - \$600K - COMPLETED F19 - installation & commissioning of 3 New engines & place order for 3 more new engines - \$3.2M - COMPLETED F20 - installation & commissioning of remaining 3 New engines - \$3M - Targeted April 2021 This project will give us greater capacity and coverage in the event of a major CBD Blackout as well as capacity in during high temp's when pressure on the electricity grids. 		
8	IT Business disruption	Major performance financial and / or reputational damage from cyber security incident Failure of IT hardware / software (e.g. primary computer room gaming machines short circuit switchboard failure loss of CCTV) resulting in significant disruption.	<ul style="list-style-type: none"> Intentional / unintentional leakage of sensitive information; Malicious employee act / omission; Human error Malicious software infection Mobile / portable device lost or stolen; External / internal cyber attack; and Third party providers; Fire; Water damage; Equipment failure; Failed IT system or infrastructure implementation Loss of telecommunication infrastructure/service by third party failure or damage to physical fiber 	<ul style="list-style-type: none"> Relevant section(s) of gaming floor closed Adverse publicity and resultant decrease in revenue (gaming and other revenue) criticism by patrons Possible breach of legislative / regulatory requirements and associated financial penalty(ies) Possible legal action for civil damages Impact on Surveillance operations Possible leakage of business or patron sensitive information to external parties Additional Security & Service employees / contractors rostered Hotel guests Crown employees / contractors prevented from making internal / external land line calls loss of incoming land line call facility (including Galactic Circus tenancies) Ability to accept Hotel and restaurant bookings impacted Unable to pay patron via TITO 	Severe (5) Highly Likely (5)	Critical	<ul style="list-style-type: none"> Replicated data across multiple data centres IT power redundancy; Primary and secondary computer rooms powered by independent external sub-stations / Secondary computer access to real time operational functions / historical data for selected applications in place as well as Gaseous fire suppression system in Central Data Centre Emergency Crisis and Business Continuity Planning and testing including access to alternate communication facilities (mobile phones two way radios etc.) fire and flood prevention and detection programs power supply redundancy including onsite back-up generators Disaster/Recovery plans in place and tested on an ongoing basis including IT system back-ups and maintenance controls Periodic penetration testing of IT systems IT system access and security controls (including IT Security Policy) and Crown IT monitoring of IT system usage and access Controlled and restricted access to sensitive physical areas of the casino complex including key IT infrastructure Employee / contractor probity checks and performance monitoring Cyber Security program in place including Cyber Security Council IT audit program IT security policy standards and guide lines in place IT security Vulnerability Assessment Program and 24/7 monitoring of cyber threat via Cyber Intelligence Centre run by Deloitte Contractor liability / indemnity via standard maintenance / service contract insurance for partial cost recovery 	Infrastructure	Moderate (3) Possible (3)	High	Reduce	<ul style="list-style-type: none"> Data Loss Prevention (DLP) program (multi-year program) Integrated Access Management (IAM) program underway 		
9	Loss of Key Management	The loss of management in business critical roles impacts on the ability for Crown to meet performance objectives. For example where: - there is high reliance on ongoing relationships between management and third parties (customers Government and Regulators); - there is strong corporate knowledge; and/or - there is industry expertise.	Restructuring activities Natural attrition (staff turnover) Poaching of staff by competitors Low morale Lack of staff development Lack of succession planning	Inability to progress certain business initiatives/strategies Impact to staff morale / productivity Loss of critical / sensitive corporate knowledge	Major (4) Possible (3)	High	<ul style="list-style-type: none"> Cross property capacity Leadership development programs Long term financial incentives - Executive Restrictive covenants - employment contracts Succession planning (TBC) 	People	Minor (2) Possible (3)	Moderate	Monitor			



Risk No.	Risk Title	Risk Definition	Cause	Most Likely Outcome	Inherent		Controls	Residual				Action
					Consequence Likelihood	Rating		Category	Consequence Likelihood	Rating	Strategy	
10	Reduction in property standards	The risk that facilities are not available for customers at the required and expected standard across all areas of the Complex due to: - ageing infrastructure - lack of availability of capital for refurbishments - inadequate cleaning standards - inadequate ancillary areas eg. parking facilities	Age of property Wear & tear of property Inadequate maintenance and cleaning procedures Lack of reinvestment in refurbishment (inability to source capital) Stronger facilities offered by competitors (for example hotels in Perth) Inability to schedule refurbishment (impact on business) - for example Theatre	Poor customer experiences Poor market reviews / ratings Reduction in visitation Loss of customers to competitors Reduction in revenue / EBITDA	Moderate (L) Possible (B)	High	Capex / business planning process Customer complaint monitoring Dedicated Housekeeping / Environment Services Resources Dedicated Property Services / Maintenance Resources Maintenance reporting system (BEIMS) Preventative maintenance program	Reputation / brand Moderate (L) Unlikely (D) Moderate		Monitor		
11	Litigation	The risk that legal action is taken against Crown by employees, customers, regulators, and other third parties in relation to matters such as: - provision of gambling / responsible gambling - health & safety security matters environmental tobacco smoke discrimination bullying - contractual obligations - marketing activities - fraudulent activities of patrons - privacy complaints / defamation - public liability claims - breach of legislation	Crown's non compliance with legislation/regulation. Poor compliance culture. Injury/ incident involving a customer. Injury/incident involving an employee/contractor. Contractual relationship breakdown. Rising community expectations regarding responsible service. Property hazards. Workplace hazards.	Significant financial damages for civil action taken by an individual (for example Privacy public liability claims over \$1m); breach of consumer law - up to \$1m Prosecution by the Privacy Commissioner Criminal prosecution by Law Enforcement Incarceration of Directors and Officers for critical OHS events. Adverse publicity and reputation damage.	Severe (S) Possible (L)	Critical	Compliance Framework and Governance CrownSafe Framework and Governance Inhouse legal resources Use of external advisors when appropriate Maintenance practices Mandatory Compliance Training - Employees Privacy Policy and Training Integrity and support for regulator relationships RSA Framework and Governance RSG Framework and Governance Speciality training and procedures (for example Security)	Compliance/regulatory Moderate (B) Possible (L)	High	Monitor		
12	Major criminal activities	The risk that a major criminal act or activities occur at Crown involving either patrons, employees or both such as: - major fraud (employee, patron and/or collusion); - loan sharking; - organised crime; - money laundering; - violent act (active shooter) - not related to terrorism; gaming scams.	Illegal activities by customers on Crown premises Unethical customers or employees Lack of visible security measures Lack of segregation of duties for financial transactions Limited liaison/intelligence from LEAs Inadequate customer due diligence Inadequate employee due diligence Inability to monitor customer and employee actions and transactions Weak culture of probity Lack of management commitment and oversight to ensuring a strong internal control environment	Impact on Crown's perceived probity and ability to retain gaming/ liquor licences. Financial loss for fraudulent transactions (significant for gaming scams) Injury to staff and patrons. Impact to employee morale. Business interruption (where physical event occurs) Legal action by affected customers or employees.	Major (H) Likely (H)	High	Governance: Fraud Management Committee AML/CTF Program & Resourcing Commissioner of Police and general exclusions practices Digital surveillance monitoring Employee Due Diligence Policy & Practice SIU (Security Investigation Unit) framework and co-laboration with law enforcement Fraud Control Framework Integrity-related Company Policies Knowledge sharing - casino industry Ongoing LEA Liaison Physical security presence Protection of assets - internal control framework Security department - procedures and training Segregation of duties - financial transactions	Reputation / brand Moderate (B) Possible (B)	High	Monitor		
13	Ineffective responsible service of gaming (RSG)	The risk that Crown does not provide its business activities to its customers in a responsible manner.	Customers who experience issues with their gambling. Customers who drink alcohol excessively. Lack of management commitment to provide services in a responsible manner. Staff not trained or not aware of how to provide services in a responsible manner. Ineffective responsible service frameworks / not consistent with best practice Inadequate resourcing.	Patron harm Reputation damage Non compliance with applicable regulatory requirements Regulator penalties Imposition of trading restrictions by the Regulator - restricting revenue or increasing costs Inability to progress strategic initiatives (no support from Regulator/Govt) Loss of casino licence	Major (H) Likely (H)	High	Board Oversight - RSG Board Sub Committee Compliance Framework Dedicated inhouse RSG resources Management Committees - RSG Regulator engagement Responsible Gambling Information Centre 24/7 RSG Code of Practice RSG Policies and Practices: mandatory training Responsible Gaming Advisory Panel	Reputation / brand Moderate (B) Possible (B)	High	Reduce	Implement VCGLR recommendations as agreed during Section 25 review	
14	Major reputational damage	Crown operates under both a legal licence as well as a social licence which is just as critical. Negative publicity/image of Crown and/or its affiliate businesses which may adversely impact Crown's reputation and/or performance and potentially damage its social licence and jeopardise its gaming licences. The risk of major brand damage caused by an incident relating to for example: - Crown's inappropriate conduct (perceived or actual) - inappropriate conduct on Crown's premises - Crown's association with disreputable third parties - Crown's perceived conflicts of interest in major transactions or supplier arrangements - publication of Crown's customer or other sensitive business data - inappropriate social media posts - social media complaints go viral - irresponsible or inappropriate marketing activities	Lack of due diligence of employees, customers, vendors and other third party associates. Poor perceptions of Crown's brand and the casino industry generally Excessive media scrutiny Lack of internal controls over use of Crown's social media accounts Lack of oversight / accountability for marketing and social media activities Disgruntled employees Crown's inappropriate conduct (perceived or actual) Inappropriate conduct on Crown's premises Crown's association with disreputable third parties Crown's perceived conflicts of interest in major transactions or supplier arrangements Publication of Crown's customer or other sensitive business data Inappropriate social media posts Social media complaints go viral Irresponsible or inappropriate marketing activities	Loss of or damage to social licence Reduced visitation and revenue. Increased Regulator scrutiny / assessment of Crown's suitability to hold its licences Imposition of operating restrictions by the Regulator/Govt Inability to attract events to Crown	Severe (S) Almost Certain (S)	Critical	Anti Bribery and Corruption Policies and Practices Customer Due Diligence practices (AML and Credit) Employee Due Diligence Policy and Practices Integrity-related Company Policies Marketing review and approval processes Public Relations Inhouse Resources Resources focused on social channels Social listening tools (monitoring of social media) Stakeholder management Supplier Due Diligence practices Responsible Gaming Advisory Panel Analysis of major events with root cause report to the Audit Committee and as appropriate the Board	Reputation / brand Major (H) Almost Certain (S)	Critical	Monitor		



Risk No.	Risk Title	Risk Definition	Cause	Most Likely Outcome	Inherent		Controls	Category	Residual			Action
					Consequence Likelihood	Rating			Consequence Likelihood	Rating	Strategy	
15	Poor people management practices	The risk that Crown is unable to establish and maintain an appropriate staffing base to effectively and efficiently operate	Poor Crown employer branding Industry conditions (affecting supply of candidates) Changing staff demographics (eg ageing workforce) Inappropriate leadership affecting culture Ineffective recruitment practices including due diligence Inadequate or ineffective staff training and development Inadequate staff engagement Inadequate staff facilities such as car parking food rest rooms	Low morale High staff turnover Compliance breaches (due to lack of training) Reduction in standard of customer service Reputation damage Loss of RTO registration - and resulting loss of Government financial support	Major (4) Possible (3)	High	Casual labour pool Commissioner of Police exclusions Employee Due Diligence Policy and Practices Employee Engagement Surveys Employer Branding and Employee Value Proposition Mandatory Compliance Training - Employees Recruitment and retention strategies Registered Training Organisation (RTO) Succession / talent management	People Minor (2)	Possible (3)	Moderate	Monitor	
16	Harm to persons on property	The risk that employees contractors customers and other third parties are harmed (injury or death) whilst on Crown property.	Poor leadership and management commitment to health & safety Unsafe work practices and environments Unsafe "front of house" environments for customers or other visitors Poor maintenance and cleaning practices throughout the property Poor safety culture Poor food safety and other hygiene practices Extreme event - pandemics terrorist act Anti social behaviour.	Possible loss of life or serious injury Non compliance with OH&S legislation - Incarceration for directors and officers. Gross negligence charges against officers in the event of a death or serious harm to a person to whom a duty of care is owed. Worker's Compensation and Public liability claims. Litigation by affected customers or employees Adverse publicity / Reputation damage (for example - widespread proven food poisoning security removals) Regulator sanctions / imposition of additional compliance requirements Loss of Food Safety accreditation Loss of smoking exemption and resultant impact on VIP revenue.	Severe (5) Possible (1)	Critical	Board oversight & reporting - H&S Sub Committee Contractor induction processes CrowdSafe Framework. Policies and Procedures Framework - Pearl Room Smoking Exemption Incident and Injury Management Procedures ISO 22000 accreditation and associated framework Mandatory Compliance Training - Employees Property cleaning and maintenance practices Property Services - H&S Officer Security incident review panel Security training - handling and removal of patrons Surveillance of property Third party inspections	People Minor (2)	Likely (4)	Moderate	Monitor	
17	Breakdown in strategic partnership with third parties	The risk that third parties with whom Crown engages do not fulfil their obligations to the required standard impacting on the ability for Crown to continue to operate effectively or exposes Crown to integrity issues and reputation damage.	- Inappropriate or incorrect behaviour of third parties - External events/disruption to supply chain - Reliance on individual vendors - Poor selection and engagement practices - Poor contractual arrangements/documentation - Poor ongoing management of the third party relationships. - Vendors supplying goods and services which are not fit for purpose to a low standard compromising compliance requirements and customer service - Continuity of supply issues for critical items such as playing cards - Inappropriate practices of vendors/consultants /intermediaries representing Crown such as bribery - Inability to source equipment / new products suitable for Crown's business - Unsuccessful tenancies resulting in loss of valuable tenants - Tenants do not comply with Crown's requirements resulting in a breach of tenancy agreements and potential exposing Crown to various legal risks	Adverse media if Crown is associated with a disreputable third party. Business interruption and related financial impact if critical supply item is unable to be supplied (eg playing cards) or if contractor/service (eg outsourced functions like housekeeping) is unavailable. Customer complaints / loss of customers due to inferior products or experiences. Breach of supply/tenancy agreements. Loss of tenancy revenue.	Major (4) Possible (2)	High	Anti Bribery and Corruption Policy Contract management procedures Incentives for tenants (ex. onboarding fit out contributions rent free periods and longer term leases) Procurement Policies and Procedures Supplier Due Diligence practices Tenant letting and management procedures (Melb)	Reputation / Brand Minor (2)	Unlikely (2)	Low	Monitor	
18	Industrial action	The risk that industrial action is taken by employees impacting on customer service and/or the ability to continue operations in the short term.	Disgruntled employees Inappropriate or unfair staff management practices. Unfair dismissals Ineffective union negotiations / collective bargaining Breakdown of relationship with the union Issues relating to the Smoking exemption applying to the Pearl Room Restructuring activities	Customer service may be impacted. Short term business interruption. Adverse publicity.	Severe (5) Possible (3)	Critical	Business continuity plan Employees communication practices Internal HR / IR specialists MOU with United Voice Stakeholder management strategies Transparent and effective HR practices	People Moderate (3)	Unlikely (2)	Moderate	Monitor	
19	Unsustainable environmental management and ethical standards	The risk that Crown does not appropriately or effectively manage its impact on the environment resulting in an environmental incident non compliance with Environmental laws and regulations and/or reputation damage. For example a sewage diesel or toxic substance spillage.	Lack of awareness of legislative obligations. Lack of resourcing/systems to manage obligations. Lack of integration of environmental objectives into business operations and practices.	Lack of awareness of legislative obligations. Lack of resourcing/systems to manage obligations. Lack of integration of environmental objectives into business operations and practices.	Moderate (3) Possible (2)	High	24/7 Maintenance resources to manage/contain incidents Board oversight and reporting - Health Safety and Environment sub committee Group sustainability manager in place Property based energy manager in place to monitor and respond Property based environmental policy Property based environmental committee	Reputation / Brand Minor (2)	Unlikely (2)	Low	Monitor	
20	Aviation accident	The risk that an accident occurs involving either a Crown owned jet or a Crown chartered jet resulting in death or significant injury reputation damage and litigation. Crown currently owns and operates 3 jets and 1 helicopter.	Pilot error External events (eg extreme weather) Technical malfunctions Poor maintenance practices	Significant injury or death (multiple). Brand damage and potential impact on international revenue. Non compliance with aviation standards.	Severe (5) Possible (3)	Critical	Preventative maintenance program Ongoing external audit and certification process Individual risk assessment performed by third party for every itinerary prior to trip Inhouse pilots and ongoing training and certification Ongoing oversight by internal audit	People Severe (5)	Rare (1)	Moderate	Monitor	



DRAFT - CROWN MELBOURNE CORPORATE RISK PROFILE - NOVEMBER 2019

ANNEXURE 1

Risk No.	Risk Title	Risk Definition	Cause	Most Likely Outcome	Inherent		Controls	Residual			Action			
					Consequence Likelihood	Rating		Category	Consequence Likelihood	Rating		Strategy		
21	Data misuse	Accidental or intentional leak of patron or other business sensitive data to individuals or organisations who should not have access and who may use this information maliciously. The focus has increased due to: - New Privacy legislation; - Increased media focus and public expectations following the Facebook/Cambridge Analytics issue; - The increased digitalisation of business and Crown increasingly sharing data with third parties; and - A specific risk identified in the Marketing department risk review completed in 2017 regarding the use and communication of patron data generally within Crown.	Lack of physical and logical access controls. Cyber attack. Disgruntled employee. Unsecured means of distribution of patron reports. Accidental distribution of patron reports to wrong email addresses (auto email address)	Significant adverse media (eg where gambling activities of high profile individuals are publicised) resulting in loss of visitation and revenue. Non compliance with the Privacy Act with financial penalties. Legal action by affected individuals. Reputational damage	Major (4)	Possible (3)	High	Reputation / brand	Major (4)	Possible (3)	High	Reduce	DLP and Data Risk management framework IAM project CDW and TMI project	
22	Breakdown in relationship with key government, legislative or regulatory body	Crown operates in many jurisdictions and has to engage with a large number of government legislative and regulatory bodies. A breakdown in these relationships could lead to targeted reviews investigations or actions by these bodies that could materially affect Crown's operations and reputation.	Reportable breaches resulting in loss of trust Poor culture Factors internal to regulatory body (policy approach) Media or opinion group attack voicing unfounded allegations on Crown	Potential loss of regulator confidence or regulatory intervention Financial or other penalties Continuous investigation - strain on internal resources Media coverage / Reputational damage	Major (4)	Possible (3)	High	Stakeholder management practices Crown Resorts relationships with Government Customer complaint management processes Executive level focus on managing external stakeholders GM - Tourism has joined Crown to focus and assist in the engagement process with key government legislative and regulatory bodies. Crown Values including "We do the right thing" to reinforce compliance and integrity culture. Code of conduct in place and signed by all staff upon induction Consistent and open responses to any government legislative or regulatory body enquiries. <i>Escalate engagement to CEO / Chair levels as appropriate</i>	Compliance/regulatory	Major (4)	Possible (3)	High	Monitor	
23	Failure of responsible service of alcohol (RSA)	The risk that Crown does not provide its business activities to its customers in a responsible manner resulting in patron harm and ultimately potentially impacting the suitability of Crown to continue to hold its liquor licences.	Customers who experience issues with their gambling. Customers who drink alcohol excessively. Abundant availability of/access to alcohol. Lack of management commitment to provide services in a responsible manner. Staff not trained or not aware of how to provide services in a responsible manner. Ineffective responsible service frameworks / not consistent with best practice Inadequate resourcing.	Patron harm Reputation damage Non compliance with applicable regulatory requirements Regulator penalties Imposition of trading restrictions by the Regulator - restricting revenue or increasing costs Inability to progress strategic initiatives (no support from Regulator/Govt) Loss of liquor licences	Major (4)	Likely (4)	High	Compliance Framework Dedicated inhouse RSA resources Management Committees - RSA Regulator engagement RSA Policies Practices Mandatory Training	Reputation / brand	Moderate (3)	Possible (3)	High	Monitor	





AGENDA ITEM 6:
Delegation Policy – Proposed Update



Crown Melbourne Limited

Audit Committee

To: Audit Committee

From: Anne Siegers

Date: 17 November 2020

Subject: Delegation Policy Update

Dear Committee Members,

In May 2019, the Audit Committee reviewed and recommended for approval the Delegation Policy, which was approved by the Board.

In order to apply these delegation rules, an Operational Delegation Schedule was prepared for each of the Australian Resort properties to implement.

With the current degree of change with regards to the organisational structure and the CEO - Australian Resort and CLO roles, it is proposed that some amendments be made to assist operations in the transition period.

The proposed change is as follows:

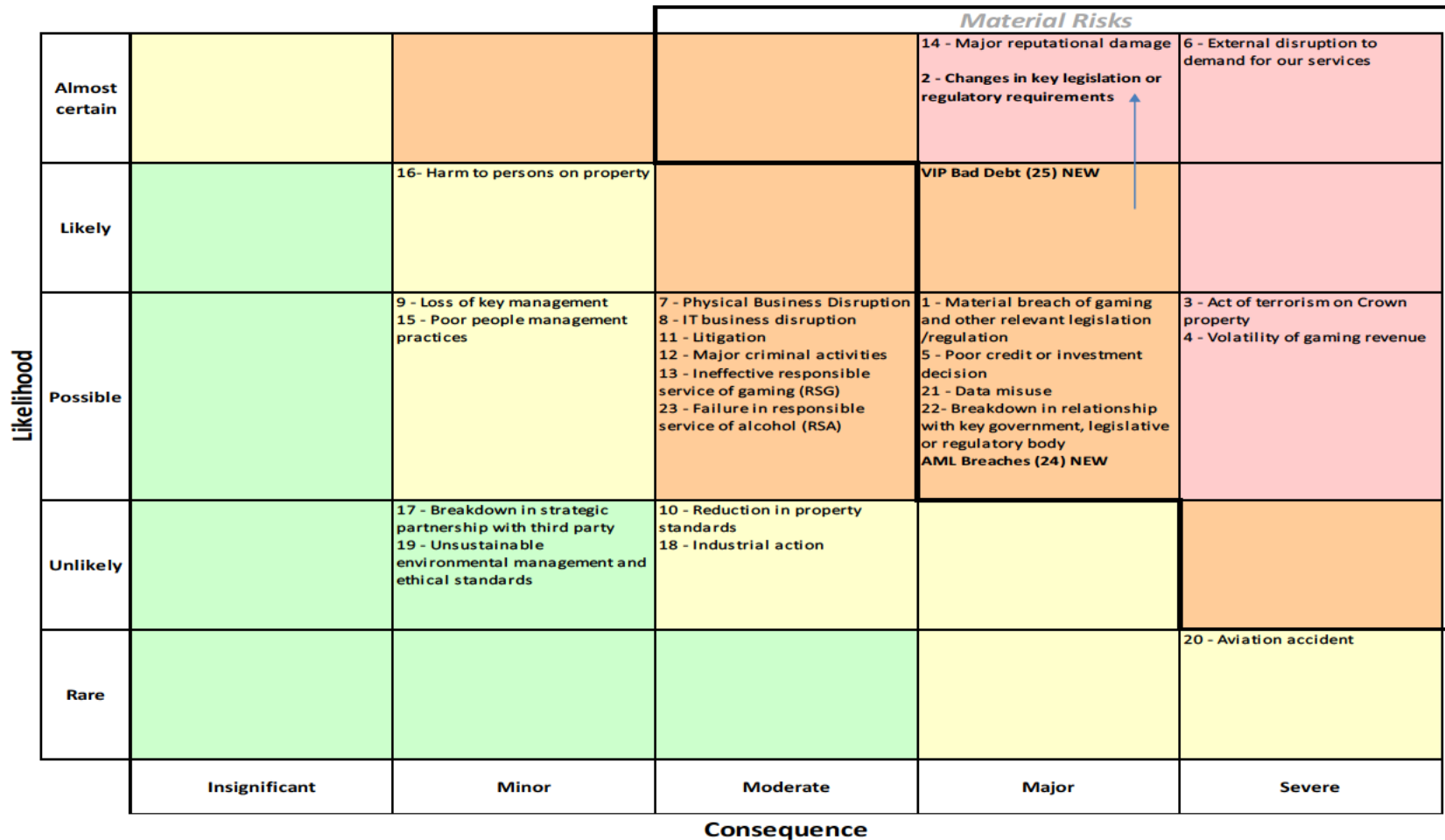
- That the Chief Operating Officer (COO) be provided with the same power of attorney and delegated authority as the CEO, CFO and Company Secretary.

Recommendation

The Audit Committee approve the changes to the delegation policy.

Anne Siegers
Group General Manager, Risk and Audit

Annexure 1 – Crown Melbourne Limited - PROPOSED RISK MAP



Legend:

Critical Risk	Oversight by the RMC/Board
High Risk	Managed by CEO and relevant EGMs
Moderate Risk	Managed by BOT members
Low Risk	Managed as part of BAU

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Crown Melbourne Limited Delegations Policy

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1. Introduction

This Delegations Policy (**Policy**) sets out the circumstances under which the Board may delegate its responsibilities.

Delegations of authority are the mechanisms by which Crown Melbourne Limited (**Crown** or the **Company**) enables officers of Crown to act on its behalf.

This Policy applies to all entities that form part of the Crown group.

2. Purpose

The purpose of this Policy is to establish a framework for delegating authority within Crown.

This Policy applies to all members of the Board and the staff of Crown who have delegated authority to act for, and to sign documents on behalf of, Crown.

Delegations of authority within Crown are intended to achieve four objectives:

- to ensure the efficiency and effectiveness of the organisation's day to day activities;
- to ensure that the appropriate officers have been provided with the level of authority necessary to discharge their responsibilities;
- to ensure that delegated authority is exercised by the most appropriate and best-informed individuals within the organisation; and
- to ensure internal controls are effective.

3. Policy

The Board of Crown is responsible for overseeing the management of the business of the Company and it may exercise all the powers of the Company which are not required by the Corporations Act and the Constitution to be exercised by the Company in general meeting.

The Board may delegate all matters which are not matters reserved for the Board.

The CEO:

- is charged with the duty of promoting the interests and furthering the development of Crown;
- is responsible for the administrative, financial, and other business of Crown; and
- exercises a general supervision over the staff of Crown,

in accordance with the terms of appointment of the CEO.

The CEO may delegate any function or any power or duty conferred or imposed on her or him, to any member of the staff of the organisation, or any committee of the organisation, although they will retain ultimate responsibility for those actions.

4. Processes

The overarching Policy applies to Crown as a whole, and entities within the organisation must align their delegations policies with this central policy.

Any delegation may be made subject to any conditions and limitations as the Board shall approve from time to time.

5. Board Delegated Authority

This section sets out the Board's delegation of its authority in relation to making, approving and/or entering into:

- operational, recruitment and performance management decisions; and
- financial transactions,

(Transactions or Commitments).

5.1. Transactions or Commitments requiring Board approval

Approval of the Board is required for Transactions or Commitments with:

- a total value of \$10,000,000 (excluding GST) or greater (excluding any options to renew);
- an annual value of \$5,000,000 (excluding GST) or greater; or
- a term of greater than five years (excluding any options to renew).

For the avoidance of doubt, approval of the Board is not required for any payments contemplated by a Transaction or Commitment where the Board has previously approved entry into the Transaction or Commitment in accordance with this Policy.

5.2. Delegated Authority

Within the limits of Sections 3 and [Error! Reference source not found.5.1](#) above, Transactions or Commitments may be approved in accordance with the below table.

Category	Value/Commitment (excluding GST)	Authorised Personnel
1	\$5,000,000 to \$9,999,999	Any two of the following: <ul style="list-style-type: none"> • Director • CEO • CFO • COO • Company Secretary

2	\$1,000,000 to \$4,999,999	Any one of the following: <ul style="list-style-type: none"> • CEO • <u>CFO</u> • <u>COO</u> • Company Secretary • Director (only for contract execution when one the above personnel are unavailable)
3	Up to \$999,999	As set out in the Delegations Schedule approved by the CEO from time to time.

The Board may put in place appropriate powers of attorney in support of the above.

5.3. Unlimited Authority

The Board delegates to the CEO, CFO, COO and/or the Company Secretary **unlimited** authority to approve:

- any statutory, contractual or standard operating related payments, including payroll, superannuation, utilities, tax, intercompany transactions and Board approved or scheduled contractual payments;
- all gaming patron transactions and internal cash transactions subject to any regulatory restrictions; and
- recruitment and performance management decisions and matters, other than those that are required to be considered by the Nomination and Remuneration Committee.

5.4. Exceptions to term of contract requirement

The Board delegates to the CEO, CFO, COO and/or the Company Secretary authority to approve contracts beyond a term of five (5) years in the following circumstances:

- Rental leases where by law the term of the contract must be 5 years or over, but the total value of the contract remains under \$10M.
- IT software licenses where the annual value of the contract is under \$5M, the total value of the contract remains under \$10M, and we have the right to terminate the contract.

6. Amendment and Review

The Board must review this policy on an annual basis to ensure it remains consistent with its objectives, the Constitution and existing regulatory requirements and recommendations.

Crown Melbourne Limited

~~November 2019~~ November 2020