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**PERTH CASINO ROYAL COMMISSION**

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**PUBLIC HEARING - DAY 49**

**09.59 AM TUESDAY, 26 OCTOBER 2021**

**COMMISSIONER NJ OWEN**

**COMMISSIONER CF JENKINS**

**COMMISSIONER C MURPHY**

**HEARING ROOM 3**

**MS PATRICIA CAHILL SC and MR MICHAEL FEUTRIL SC as Counsel Assisting the Perth Casino Royal Commission**

**MS FIONA SEAWARD as Counsel for the Department of Local Government, Sport and Cultural Industries**

**MR PAUL D EVANS and MR PETER SADLER as Counsel for the Gaming and Wagering Commission of Western Australia**

**MS RACHAEL YOUNG as Counsel for Consolidated Press Holdings Pty Ltd and CPH Crown Holdings Pty Ltd**

**MR KANAGA DHARMANANDA SC and MR JOSEPH GARAS SC as Counsel for Crown Resorts Ltd; Burswood Limited; Burswood Nominees Limited; Burswood Resort (Management) Limited; Crown Sydney Gaming Pty Ltd; Southbank Investments Pty Ltd; Riverbank Investments Pty Ltd and Crown Melbourne Limited**

**MR GANDHI as Counsel for Ms Jessica Ottner**

**MS JENNY THORNTON as Counsel for Mr Steven McCann**

**MR ANTHONY POWER as Counsel for Ms Maryna Fewster**

09:59AM

COMMISSIONER OWEN: Please be seated. Good morning, Ms Ottner. Can you see and hear us?

5 MS OTTNER: I can, yes, thank you. Good morning.

COMMISSIONER OWEN: Just before we start, there is a change to the sitting times today. We will sit through to midday without the usual morning break and then break from 1.00 to 2.00, then the afternoon session will begin --- sorry, break from 10 12.00 to 1.00 and the afternoon session will begin at 1.00. There will be an afternoon break.

Ms Ottner, do you wish to swear an oath or affirm?

15 MS OTTNER: Affirm, please.

**JESSICA OTTNER, AFFIRMED**

20 COMMISSIONER OWEN: Thank you very much. Mr Ghandi.

**EXAMINATION-IN-CHIEF BY MR GHANDI**

25 MR GHANDI: I appear for Ms Ottner. You prepared a statement dated 19 October in response to a summons (inaudible); is that right?

MS OTTNER: Yes.

30 MR GHANDI: Do you see a copy of that statement on the screen?

MS OTTNER: Yes.

35 MR GHANDI: The first page should end with the reference 0910?

MS OTTNER: Yes.

40 MR GHANDI: Can I take you to the last page of the statement, which is the page ending 0926?

MS OTTNER: Yes.

45 MR GHANDI: JO-1, which lists various documents?

MS OTTNER: Yes.

10:01AM

MR GHANDI: I understand you wish to make two amendments to your statement?

MS OTTNER: Yes.

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MR GHANDI: The first amendment is on the first page of your statement, the word "draft" before "witness statement of Jessica Ann Ottner" should be deleted?

MS OTTNER: Correct, yes.

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MR GHANDI: The second amendment is to the last sentence of paragraph 9 that appears on the second page of the statement. The amendment to the last sentence is such that the statement be --- sentence should read "I intend to enrol in the Crown training course in Responsible Gaming (which has been reviewed and approved by the Victorian Commission for gaming and liquor regulation) now that the lockdown in Melbourne has ended"; is that correct?

15

MS OTTNER: Correct, yes.

20

MR GHANDI: Subject to those amendments, is the statement true and correct to the best of your knowledge and belief?

MS OTTNER: Yes. Yes, it is.

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MR GHANDI: Commissioner, subject to just one clarification, I tender the statement. The clarification is Ms Ottner has not given any oral evidence or statements on the issue of remediation for two reasons. Firstly, the invitation was not extended to her unlike some of the other witnesses and, secondly, she has already addressed the remediation issue insofar as it is considered in the statement, so that may well be the reason why an invitation wasn't extended to her, Commissioners. Thank you.

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COMMISSIONER OWEN: Well, if it had not been. I think you are right, I think it is well addressed in the witness statement, but if the invitation had not been addressed and that was an oversight, yes, I understand.

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MR GHANDI: Thank you, Commissioner.

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COMMISSIONER OWEN: Thank you. The witness statement of Jessica Ann Ottner dated 19 October bearing the identifying number CRW.998.002.0910, with the two amendments that have been discussed, will be admitted into evidence as an exhibit, thank you. Mr Feutrill.

45

MR FEUTRILL: May it please the Commissioner.

**CROSS-EXAMINATION BY MR FEUTRILL**

MR FEUTRILL: Ms Ottner, can you hear me?

5 MS OTTNER: Yes, clearly, thank you.

MR FEUTRILL: My name's Michael Feutrill. I am one of the Counsel Assisting the Royal Commission. Do you have a paper copy of your statement with you?

10 MS OTTNER: Not with me, no.

MR FEUTRILL: I see.

15 MS OTTNER: I can get it very easily, though. I wasn't sure if I was allowed to have any paper with me so I didn't bring anything with me.

MR FEUTRILL: That's okay, we'll see if we can manage without the paper in front of you. I just want to ask you some questions about some clarifications in the statement to begin with.

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MS OTTNER: Absolutely.

MR FEUTRILL: I think you said you were employed as the group general manager internal audit on 21 May this year?

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MS OTTNER: 10 May.

MR FEUTRILL: 10 May, okay. And who is your actual employer?

30 MS OTTNER: My employer is Crown Resorts.

MR FEUTRILL: Crown Resorts Ltd?

MS OTTNER: Yes.

35

MR FEUTRILL: And who specifically employed you in your role?

MS OTTNER: I had conversations with Alan Siegers and Alan McGregor following the HR process, but my final discussion was with Toni Korsanos.

40

MR FEUTRILL: I see. You've mentioned in your statement you received some AML/CTF risk awareness training as part of your induction?

MS OTTNER: That is correct.

45

MR FEUTRILL: Who provided that training to you?

10:05AM

MS OTTNER: There was --- every employee of Crown has set training that they need to do, which I have done, and I have also had discussions with the AML team themselves, Mr Blackburn and Mr Rule.

5

MR FEUTRILL: When you say set training that every employee does, I asked you who provided the training?

MS OTTNER: Sorry, it's an online training. I apologise.

10

MR FEUTRILL: So you did the online training module?

MS OTTNER: That's correct.

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MR FEUTRILL: Okay. And have you had any other --- as in direct training from a member of the financial crimes team?

MS OTTNER: Not at the moment. There is some scheduled for December.

20

MR FEUTRILL: Okay. That was another question I had for you. You mentioned -- - you've used the expression "up skill myself". What does that mean exactly, "Up skill"?

25

MS OTTNER: I have knowledge in lots of different areas, but I'm always looking to continue to increase that knowledge as part of my role. It's an essential part of an internal auditor to be continually learning and gaining continuous education, so I think it's always important to be reading new things. I am new to gaming as well, so I'm up-skilling myself in that sense.

30

MR FEUTRILL: You mentioned there would be some training, I think, in December this year. Do you know what that's likely to cover?

35

MS OTTNER: Yes. So, I --- the exact agenda has not been set but I have clear views on what I want it to cover. Just including a --- a lot of changes have happened over the AML program. I think as you would be aware, and I want to have a full overarching view of what that is. I follow it along, but I want to be able to stop and have a look overall and then have my team undertake just a foundational view. So I know everyone across my team has varying levels in understanding, depending on their background. I want to be able to make sure everybody has a foundational

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knowledge, including all of the key terms, part A, part B, what all of that means. So even if they know it at the moment, I can gain comfort in knowing if you are a part of internal audit at Crown, I know you know a minimum number of things and I think it's right that I participate in that as part of the team, just for completeness purposes.

45

MR FEUTRILL: Do I take it from that answer you are designing your own training?

MS OTTNER: No, we will have a dedicated AML trainer as part of Crown and I have arranged that training with Mr Blackburn.

MR FEUTRILL: I see. So this will be a person, a dedicated trainer within Crown to provide the training directly to you?

5 MS OTTNER: That is correct.

MR FEUTRILL: In your statement you have also indicated that, as part of your role, you have a functional reporting line to the chair of the Crown Resorts audit and corporate governance committee?

10

MS OTTNER: Yes.

MR FEUTRILL: Who is the chair of that committee?

15 MS OTTNER: Bruce Carter.

MR FEUTRILL: And in practice, how is it that you report directly to the chair?

MS OTTNER: Well, I will need to talk about my reference to Toni as the change to Bruce --- Ms Korsanos, because Mr Carter has only just taken over the role. How that works is I have regular conversations about the strategy, about what I'm going to do, about what the team is going to be doing and how we spend our time. That information is also formally reported for approval by the whole committee as well. So essentially what we do and how we do it is decided and agreed with the audit committee.

25

MR FEUTRILL: Okay. So ---

MS OTTNER: That's what I mean by "functional".

30

MR FEUTRILL: Just taking the period when Ms Korsanos was the chair to begin with, when you say regular conversations, are these within or outside the confines of the committee process?

MS OTTNER: Both. So outside as well, so we would talk on WebEx and the telephone as necessary, so if I have a question about a strategy decision or something that I think I need clarification on, or a change, I will discuss that and everything we talk about also goes into the paper to ensure that the chair is not having additional information that the rest of the committee isn't as well.

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MR FEUTRILL: When did Mr Carter take over the role as chair of the committee?

MS OTTNER: As of the AGM on Thursday.

45 MR FEUTRILL: I see. So have you had an opportunity to have any one-on-one discussions with him as yet?

10:10AM

MS OTTNER: Not since Thursday, but we had a prior discussion once it was decided that Mr Carter would take over just to have an --- and it's not the first time I've spoken with Mr Carter, however, but we had an initial conversation that we would then touch base after the AGM ahead of the next committee as well.

MR FEUTRILL: You have his telephone number?

MS OTTNER: That is correct. I have his telephone number and his email address.

MR FEUTRILL: Aside from the contact with either Ms Korsanos or Mr Carter, do you have any direct access to other members of the Crown Resorts board?

MS OTTNER: I have the contact details for all non-executive directors across all of Crown and its subsidiaries.

MR FEUTRILL: Have you had occasion at all since you've been in your current role to contact any of the non-executive directors on matters concerning audit?

MS OTTNER: I have spoken with Mr Morrison and have emailed Ms Fewster.

MR FEUTRILL: So when you are referring there to Ms Fewster, you mean Ms Fewster as a director of the Burswood Limited board?

MS OTTNER: That's correct.

MR FEUTRILL: That was actually going to be my next question. You may have pre-empted it, Ms Ottner. Ms Fewster is the only member of the Burswood Limited board at the moment, as I understand it, who is not an employee of the Crown Group?

MS OTTNER: I don't believe that Mr Carter is an employee of Crown either.

MR FEUTRILL: Has he been appointed, to your knowledge?

MS OTTNER: Yes, he was appointed --- I believe he was appointed at the last board meeting, the motion was moved.

MR FEUTRILL: I see. Did you say you emailed Ms Fewster or contact her by telephone, I can't recall?

MS OTTNER: I emailed her, just giving an update and also offered the opportunity to discuss the matter further if she wanted to, but it wasn't necessary at the time, as per her direction.

MR FEUTRILL: I see. Now, you may not have had an opportunity as yet to go through the process of performance review.

10:13AM

MS OTTNER: No, I haven't.

5 MR FEUTRILL: Who is your understanding --- who within the Crown Group would be responsible for undertaking that process with you?

10 MS OTTNER: Usually for a chief audit executive, you go through two processes. I would expect to go through the usual Crown process just as an employee, in terms of just do I participate in my compliance, and all those other key things that make me an employee of Crown, but I would also expect to go through a process with the Crown Resorts audit and corporate governance committee as well. Usually in relation to the performance of internal audit as a whole and also myself, the committee would be asked about my performance as well and confirm that they are happy with that as part of the meeting.

15

MR FEUTRILL: So that is your expectation. So far as the Crown Resorts component of that review goes, do you expect that to be undertaken by Mr McGregor.

20 MS OTTNER: Yes, that would be correct.

MR FEUTRILL: When you say it is your expectation, are you aware of any formal process that has already been put in place for that.

25 MS OTTNER: There is no process completed at the moment because I haven't been here for even six months yet, so once I reach the six-month and 12-month mark, that would happen. I do know of changes that are undergoing as part of the transformation project, but I have regular discussions with Mr McGregor about what I am providing, the services as an employee of Crown.

30

MR FEUTRILL: At the time of your employment, who negotiated with you the terms of your remuneration and other terms of employment?

35 MS OTTNER: That was Crown, but I did have a discussion with Toni --- Ms Korsanos about that as well.

MR FEUTRILL: I see.

40 MS OTTNER: But it was Crown Resorts.

MR FEUTRILL: Can I ask you be shown CRW.700.103.0001, which is a document --- I don't know, Ms Ottner, if you referred to this in your statement or not, but it's a position description for your role?

45 MS OTTNER: I can see it.

MR FEUTRILL: Are you familiar with this document? Have you seen it before?



10:15AM

MS OTTNER: I have seen this document, yes.

MR FEUTRILL: I just have a couple of questions about it. On pinpoint 0002,  
5 there's an item referred to as "special projects"?

MS OTTNER: Yes.

MR FEUTRILL: Are you involved in anything that falls within the description of a  
10 special project?

MS OTTNER: I would say yes.

MR FEUTRILL: And what are they?  
15

MS OTTNER: I am currently on the SteerCo of the transformation project.

MR FEUTRILL: I see. Is this part of the remediation work?

MS OTTNER: That is correct.  
20

MR FEUTRILL: And are there any other what you would term special projects in  
view?

MS OTTNER: No.  
25

MR FEUTRILL: I see. Could I take you to pinpoint a little further on, 0004, and  
there's a heading "Decision Making and Advice". There's a reference on a number of  
occasions to the board in that table.  
30

MS OTTNER: Yes.

MR FEUTRILL: What is your understanding of the relevant board, or boards that  
are being referred to in there?  
35

MS OTTNER: So I, as per the diagram that's in the back --- I report formally to the  
Crown Resorts' audit and corporate governance committee as a delegated authority  
of the Crown Resorts Ltd board. I also have what I would call a dotted line to each  
of the three subsidiary boards across Burswood, Crown Melbourne Ltd and Sydney.  
40 So I consider myself responsible for giving the relevant information and assurance of  
internal audit to all of those governing bodies, and they are collectively known as the  
board for the ease of reading and writing.

MR FEUTRILL: Okay. It might be easier if I take you to document  
45 CRW.701.009.4482, which is that organisational chart, the back of that position  
description is a bit bigger so it might be easier to read. In this diagram, I just want to  
understand a little bit more about the way in which you report. So there's a direct  
line to the audit and governance committee at the top?

10:18AM

MS OTTNER: Yes, correct.

MR FEUTRILL: Which is the one that is chaired by Mr Carter?

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MS OTTNER: Yes.

MR FEUTRILL: Then you have referred to dotted line reporting to each of the subsidiaries, relevantly for our purposes Crown Limited --- sorry, Burswood Limited  
10 is one of those. How do you describe what you mean by dotted line reporting?

MS OTTNER: So I would be responsible to provide them with the information about internal activity that relates to Burswood Limited. That includes discussing the audit plan with them, providing them updates, information, and answering any other  
15 questions they have. It is not common, but it does happen on occasion that a board or a committee of the board might ask for an internal audit to be performed over a particular area. I would say that Burswood Limited would be able to make that request of me without me having to sort of speak to the Crown Resorts audit and corporate governance committee.  
20

I would also present to them our statement of independence, any changes to our charter and the other key things like our strategy --- all the key information that would happen, I would give them the same information but make it relevant to Burswood Limited board.  
25

My understanding of the structure of my reporting is that the Burswood Limited board does not appoint my role, the CAE, however, there is a connection between Burswood Limited board and the audit and corporate governance committee to ensure that Burswood Limited's interests and opinions about the performance of the  
30 internal audit function is appropriately noted in that decision.

MR FEUTRILL: Okay. I was going to take you through the process for this year's -- or this current internal audit plan.

35 MS OTTNER: Yes.

MR FEUTRILL: You may have described it in the general sense already in that answer. So as I apprehend it, there was an overall internal audit plan for the three properties?  
40

MS OTTNER: Yes.

MR FEUTRILL: That went to the audit and corporate governance committee for consideration?  
45

MS OTTNER: Yes.

MR FEUTRILL: This year, and it was approved.

MS OTTNER: Correct.

5

MR FEUTRILL: Then the Burswood Limited component of that, which is the internal audit plan for Crown Perth ---

MS OTTNER: Yes.

10

MR FEUTRILL: --- was then extracted from the bigger plan and taken to the Burswood Limited board?

MS OTTNER: I disagree with that. I see it as I created three plans --- and just to be clear, the Burswood Limited plan this year was established by the internal auditor of Perth because I was not licensed at that time in Perth, I think that's clear. Those three plans are set. We do do an overarching Crown one and we refer to those at group audits but we did not separate them, we just list them within each of the plans to make it clearer. Each of those three are set independently. We then do an analysis over all three to make sure we've appropriately covered any broader risks. Those three are combined and presented to Crown Resorts, but they are determined on an individual property basis.

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20

MR FEUTRILL: Okay.

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MS OTTNER: In the risk profiles.

MR FEUTRILL: We may be at cross-purposes, Ms Ottner. So the overall, as I say, three separate but conjoined audit plans went to the audit and corporate governance committee earlier in the year, in August?

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MS OTTNER: Yes, that's correct.

MR FEUTRILL: Was considered and approved by that committee?

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MS OTTNER: Correct.

MR FEUTRILL: Then insofar as the audit plan for Perth was concerned, that then went subsequently to the Burswood Limited board for consideration?

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MS OTTNER: Yes, that's correct.

MR FEUTRILL: Again, it was approved at that meeting in August this year; correct?

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MS OTTNER: That is correct.

MR FEUTRILL: So just to understand one of the answers you gave a little earlier,

then, if at that meeting involving Burswood Limited there had been some commentary specifically from the Burswood Limited board, your understanding was at that point, it could have been taken into consideration ---

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MS OTTNER: Absolutely.

MR FEUTRILL: --- and an amendment made to the Burswood Limited?

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MS OTTNER: Absolutely.

MR FEUTRILL: I see. One committee which doesn't feature on this organisational chart that does feature in some of the internal audit documents I'm going to take you to is a body called the ERCC, the Executive Risk Compliance Committee.

15

MS OTTNER: Yes, I'm familiar with it.

MR FEUTRILL: It's not mentioned in this chart in any way?

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MS OTTNER: No.

MR FEUTRILL: Do you consider yourself to have any reporting role or line with the ERCC?

25

MS OTTNER: No. I report information to the ERCC, but I do not report to them --- internal audit did at one time report to them, but we do not any more.

MR FEUTRILL: Okay. That might explain. Can I take you to another document which is referred to in --- I think it's referred to in your statement, which is the internal audit manual.

30

MS OTTNER: Yes. There is a section at the front in the reporting, which says that there's going to be a couple of things approved by the ERCC, et cetera. That is legacy and has not been updated. This document is due for update in one go, and there are a number of minor --- you'll notice, like the number of team members is not correct, the ERCC component is not correct. However, that's due for update in November.

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MR FEUTRILL: I might just take you through some of them, because I've noticed there is some potential disconnection between what you said in your statement and what's in this manual.

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MS OTTNER: Yes, absolutely, yes.

45

MR FEUTRILL: At pinpoint 4411, this may be what you were just referring to. There is reference there to the ERCC.

MS OTTNER: Yes, that's correct.

MR FEUTRILL: There's going to be an update to this manual and that will no longer be a reference?

5 MS OTTNER: That's correct. The internal audit charter is to me the document which governs what we do and how we act. This is a procedural document used by the team on a day-to-day basis. The structure of it is very much reflected of historical way of acting. I plan on removing this information and just referring it to the charter. However, what I didn't want to do is create an environment where I was  
10 continuously updating this document as we went through, getting the charter approved, the team approved, et cetera, and we just do it in one go.

MR FEUTRILL: All right. So does that --- although you've mentioned the internal audit manual, can we essentially assume that it's a document that's going to be  
15 reviewed and made consistent with the current process?

MS OTTNER: Absolutely, that's correct.

MR FEUTRILL: All right. Can I just take you then to the internal audit charter,  
20 which is --- I expect it is a more current document, which is CRW.700.095.0024. I just want to ask you one question that arises from this. On pinpoint 0025, under the heading "Internal Audits responsibilities", there is one bullet point which refers to keeping abreast of emerging business ---

25 MS OTTNER: Sorry, I don't think that's on my screen. Apologies.

MR FEUTRILL: It should be on pinpoint 0025. My apologies, it wasn't there yet.

MS OTTNER: It is now.  
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MR FEUTRILL: So the second-last bullet point on that page refers to keeping abreast of emerging business issues, risks, and so forth.

MS OTTNER: Yes.  
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MR FEUTRILL: Since your appointment in May, have there been any emerging business issues or risks that you have identified or internal audit function has identified?

40 MS OTTNER: Different to --- I would say that we have identified, not particularly. The things that I would say were emerging risks for us at the time, at the beginning -- - was Responsible Gaming. However, that got explored further following the Victorian Royal Commission, so I would no longer say that that was an emerging; it's now a known. When I first started, some of the opportunities to enhance our  
45 controlled environment and the formalisation of that environment was something that I had identified. However, that has also been captured as part of the culture transformation program, so there's been nothing else that I have noted that

would fall into this category. However, it is always something at the forefront of my mind.

5 MR FEUTRILL: Have either of those two things that you are saying have now been picked up either in the Royal Commission in Victoria or in the cultural transformation, are they matters that have been brought to the attention of the Burswood Limited board, to your knowledge?

10 MS OTTNER: The Responsible Gaming one, absolutely. I discussed it as part of my plan. The control framework, I don't know. I haven't spoken to them about it, but it will feature in my next paper. So if they haven't already, it definitely will.

15 MR FEUTRILL: Okay. Is there a mechanism in place for the internal audit function to identify emerging business risks and issues?

MS OTTNER: Yes.

20 MR FEUTRILL: What is that mechanism?

MS OTTNER: We meet regularly with each of our key stakeholders. So, for example, I meet with the executive, other EGMs, executive general managers. I speak with the CCs of the different departments. We talk about what's happening in the business. I read the board papers, the risk committee, et cetera, things that may not otherwise come across my desk. And the team also has responsibilities in terms of stakeholder engagement to understand that. I monitor --- I subscribe to our regulator newsletters. Where possible, I monitor the newspapers and essentially all the industry news as well. So all of those things together help us to keep abreast. We attend webinars by the IAA, another relevant industry such as ISACA for IT audit risks, et cetera. All of these things help influence things that might become emerging business risks, whether it's to do with gaming, compliance or just us operating as a business.

35 MR FEUTRILL: Is there a mechanism for bringing those emerging risks and issues to the attention of the board of Crown Resorts?

MS OTTNER: It would be part of my overview at the front of my paper, if relevant.

40 MR FEUTRILL: For the committee --- audit and governance committee?

MS OTTNER: It would be for all of my papers. If it was an emerging risk, I would discuss it with ERCC in general to understand what the business is already doing. And then depending on that, if I felt it was being comfortably addressed, it would be noted in each of the committee updates, including Burswood Limited. If it was something that was emerging, I would --- but I'll say, for example, what cyber security was once upon a time, when it was just coming out, nobody really understood it. It was one of the things we would monitor and I would speak to the board to understand what their appetite was in terms of do we monitor it. We always

think of a risk in a sense of do we audit it, do we monitor it or do we accept it. That's a decision that would be made in conjunction with the board.

5 In each of the three subsidiaries may not hold the same position, depending on the risk profile for them and that would be documented appropriately.

MR FEUTRILL: The example you've given of cyber risk, that was in a previous role with another organisation, I take it?

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MS OTTNER: It was, yes, just something that people usually can understand.

MR FEUTRILL: You are using that as an example of the kind of risk that would be regarded as emerging and you would bring it to the attention of the ---

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MS OTTNER: That is correct.

MR FEUTRILL: Right. Okay. We may need to call up your statement for this exercise, Ms Ottner. If I could take you to the statement, thank you, it's pinpoint 20 0913, paragraphs 19, 20 and 21. You may need to help me with the pronunciation of the internal audit manager for Perth. Is it Ms van der ---

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MS OTTNER: Westhuizen.

25 MR FEUTRILL: She occupies the role of the internal audit manager for Perth?

MS OTTNER: That is correct.

MR FEUTRILL: And her responsibility, as I read your statement, is for managing 30 the delivery of audits in Perth?

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MS OTTNER: That is correct. So Ms van der Westhuizen is responsible for the overarching delivery of the internal audit plan for Crown Perth. So that includes mobilising the team, scheduling the audits, doing all of the initial reviews, 35 maintaining all the stakeholder relationships on a ground level, usually GM and below.

35

MR FEUTRILL: Her responsibility doesn't include undertaking the audits herself, though, does it?

40

MS OTTNER: Not often. So it is possible that Ms van der Westhuizen would do an audit. One of two reasons --- occasionally something comes up, we are requested to do a small piece of work that we don't --- that might be important for us to do, but we don't have any capacity at that time so she might just pick it up. Occasionally, we 45 have what I would call high risk or sensitive issues sometimes related to executive remuneration or something of that nature, that it's more appropriate that a more seasoned or sort of senior auditor might undertake. But, as a rule, her primary responsibility is managing the team to deliver it.

45

10:34AM

MR FEUTRILL: Okay. Now, there's another role, a senior internal auditor, that Ms Cassandra Lee has occupied.

5 MS OTTNER: She does at the moment. She leaves at the beginning of November.

MR FEUTRILL: I see that. So as of 8 November, that position will be vacant?

MS OTTNER: That is correct.

10

MR FEUTRILL: And the table indicates that Crown Perth has recruited to fill that role. Has that role been filled?

MS OTTNER: That one has not. Some of the others --- so the internal auditor role, we are in the final stage of background checks and is likely to be filled within the next week, if not this week.

15

MR FEUTRILL: Are you now referring to item 3, the senior internal auditor role, that's a new role?

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MS OTTNER: No, number 4. The number 2 and number 3 roles, we are actively recruiting for at the moment and held numerous interviews. However, I haven't found the candidate that we are happy with yet.

25 MR FEUTRILL: I see. So in respect of item 4, then, there is someone in view for that role?

MS OTTNER: Absolutely.

30 MR FEUTRILL: And you expect that to be filled shortly, do you?

MS OTTNER: Very shortly, yes.

MR FEUTRILL: I see. Okay. There's another role across the page in item 12, which is the position for a senior IT auditor?

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MS OTTNER: Yes.

MR FEUTRILL: What stage is the recruitment process for that role?

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MS OTTNER: I believe the meeting with the recruitment team is scheduled for later this week, or is going to be scheduled. I saw an email chain yesterday about it. We have only just commenced recruitment for that, which is different to the other roles. We have been waiting for the IT audit manager, so she only just started on the --- gosh, 4 October, I think it was.

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MR FEUTRILL: Do I understand of the five Perth specific roles, one is currently



filled, one is about to be filled and there are three yet to be filled?

5 MS OTTNER: Yes, that is correct. Two of those roles are new, and we have just within the last couple of weeks started recruiting for the newer roles. I'm conscious of the gaps and have commenced discussion with a co-source provider if we are unable to fill these roles shortly.

10 MR FEUTRILL: I have seen this referred to elsewhere in the papers, in the statements and documents referred to.

MS OTTNER: Yes.

15 MR FEUTRILL: What do you mean by co-sourced?

MS OTTNER: It is a very common relationship that exists between an internal audit function and an external party. That may be a big 4 accounting firm or top 10 accounting firm, commonly sometimes a specialist as well, depending on what you are doing, and it enables you to basically extend the size of your team and have them 20 to assist you, and the idea is that the partner that you engage provides either assistance when you need additional capacity, or you need special expertise.

The idea of a co-source partner doesn't mean you can't use any other third party at any time, but the idea is it takes time to get to know a business, and the success of an 25 audit often comes down to how well you either know the area and/or know the business to be able to apply the risk-based skills in the environment with which they operate. So by having a co-source partner --- for example, Deloitte, PwC, or EY, et cetera, a firm like that, with the appropriate skills --- can work with us as an extension of our team to deliver the audits. We agree with the methodology would 30 look like in the reporting cadence and then we are able to use that to supplement our own team as well.

35 MR FEUTRILL: Do you have an arrangement currently in place for Crown Perth with a co-source partner?

MS OTTNER: Not currently in place, but I have started that process, and intend to have that appointed by the end of November.

40 MR FEUTRILL: So who in Crown Perth currently is undertaking audits?

MS OTTNER: Cassandra Lee is doing audits. Ms van der Westhuizen --- Mrs van der Westhuizen, sorry, has been assisting with key audits and we had another auditor who just left a couple of weeks ago and has been auditing this whole time as well. The current vacancies are either going to happen or soon to happen. Up until 45 October, we had a full suite except for the new roles.

MR FEUTRILL: Has there been any effect in terms of the audit program for Crown Perth for the current financial year as a consequence?

MS OTTNER: Not at the moment. So we have been working to the current plan. So there will be a slow-down over November as we have the gap, but that's the intend of the co-source partner to supplement that month and then any other delay we have in  
5 filling. So the delivery of the plan will not be impacted by --- by the end of the year. It will be in the short-term, obviously, but not by the end of the year, no.

MR FEUTRILL: Okay. Given what you have said in the table under paragraph 19, which is --- and we have been through the necessity --- there's a process in which you  
10 are actively recruiting roles --- fill some or about to fill others. When you say in paragraph 21 of your statement that in your view, internal audit is currently adequately resourced, what do you exactly mean by that?

MS OTTNER: So resource has a number of components. So, one, I look at the  
15 number of roles on the org chart, with which I have budgetary approval. I look at the ability for me it fill those roles --- for example, access to appropriate recruitment channels, et cetera --- and I also look at things like the tools that we have, training plans, et cetera. So that's what I think of. So if I think about the gaps in the team, if I  
20 didn't have a co-source budget, it might be cause for concern, but I do have that.

When I raised --- when we had the internal movements, the team was moving internally, I raised this with Mr McGregor in our regular catch-ups and it's also been --- will be discussed with the Burswood Limited board when we speak to them. And I have been given the indication that if additional funds are needed to cover that, in  
25 addition to the specialist resource that we need, that will be covered as well.

But I think it's also important to note that the senior IT auditor role --- we knew that that was going to be a new role and wouldn't be starting recruitment until November. So currently, there has been absolutely no impact to the plan and there's no delay  
30 there; it has been a deliberate decision to only start recruiting now.

MR FEUTRILL: Okay. Thank you. While I'm dealing with the topic of resourcing, I ask that you be shown CRW.701.006.2821, which ---

MR EVANS: Can I just rise and invite my friend to keep this confined to the  
35 personal screens. I'm instructed that there is potentially commercially sensitive information.

COMMISSIONER OWEN: All right.  
40

MR FEUTRILL: If we confine to personal screens, yes.

I think I mentioned to you earlier, Ms Ottner, these are the papers for an audit and governance committee meeting in August, at which the internal audit plan for 2022,  
45 2024 was discussed?

MS OTTNER: That's correct.

MR FEUTRILL: If I could take you to pinpoint 3050, which is part of your internal audit activity report for that month?

5 MS OTTNER: Yes.

MR FEUTRILL: I have a couple of questions about --- this appears to be dealing in part with the budget for the following document, which is the internal audit plan?

10 MS OTTNER: Yes.

MR FEUTRILL: And there's a heading "Third Line of Defence"?

MS OTTNER: That's correct.

15

MR FEUTRILL: And there's a paragraph that starts:

There has been a significant investment, not only in the enhancement of the *Second Line assurance functions but also in the tools and resources that support the wider control framework.* MS OTTNER: Yes.

20

MR FEUTRILL:

However, with this increased focus on the Second Line comes with a need to *ensure there is a robust and adequately resourced Third Line.*

25

MS OTTNER: Yes, that's correct.

MR FEUTRILL: What exactly are you meaning to convey by that passage?

30

MS OTTNER: It is my responsibility as per the standards to present a plan and a budget to the audit committee for approval. But I need to be able to justify my rationale for that --- why do I think --- it's not okay for me to say "give me this", I have to be able to say "this is my risk and business based reason for asking it".

35

So that was part of that discussion. So ultimately, the amount of assurance that needs to happen at Crown has increased with the change in the understanding of the risk profile, you know, that includes the third line. So I was just --- it's something that's well understood, but I felt it was important to document it as part of the rationale behind what was a significant increase in the request for budget support of internal audit.

40

MR FEUTRILL: Okay. And then on the same page there's a heading "Second Line Work" and it refers to historical weakness in the second line, meaning that internal audit has undertaken work traditionally associated with the second line?

45

MS OTTNER: Yes.

5 MR FEUTRILL: And there's a reference there, a particular reference to Perth in that context?

MS OTTNER: Yes. There has not been a lot of people in the second line doing that work, and some of the responsibility has fallen within internal audit to do that, which is not uncommon in organisations that don't run a three lines of defence model.  
10 However, as the organisation had confirmed its commitment to the three lines of defence model, the need to separate that work from internal audit was very important. That has already commenced.

15 MR FEUTRILL: Do I understand is that the change in Ms Leigh's role, then, is it, part of the separation of second and third lines?

MS OTTNER: No. So, essentially the internal audit function has its plan that it delivers, but there is also a series of other work and it sort of references second --- if you looked at the updates, it's now referred to --- it used to be called sort of the  
20 gaming audits. Now it's --- we just to make it clearer, it's a second line of defence. So they are essentially monitoring activities, so types of audits undertaken by internal audit. But the nature of those audits is what we would call monitoring rather than risk base and that has been taken up by internal audit over time. Yes, it was done by Ms Van der Westhuizen but also it's done by other team members as well.

25 MR FEUTRILL: All right. Is it your plan or understanding that you are going to separate that function from internal audit?

MS OTTNER: Absolutely. So the work will --- so it's not related to a person, it's the  
30 work --- so the work has been identified, clearly articulated and we have identified the team it will be handed across to and discussions on that have already started, and have been going on for a couple of weeks --- a couple of months, actually.

MR FEUTRILL: On the next page there's a reference to --- pinpoint 3051, "Current  
35 Capacity". Do I understand from this essentially you are expressing the view that there needs to be an increase in the resources in the internal audit function?

MS OTTNER: Yes, that's correct. We almost doubled the size of the team.

40 MR FEUTRILL: That's reflected in part in that table under paragraph 19 of your statement?

MS OTTNER: That's correct.

45 MR FEUTRILL: You've mentioned already --- you've explained in some detail what "co-source arrangements" mean.

10:47AM

MS OTTNER: Yes.

5 MR FEUTRILL: There is also a reference there to specialist areas and a particular reference there to AML.

MS OTTNER: Yes.

10 MR FEUTRILL: What is the current proposal with respect to AML audits?

MS OTTNER: My current proposal is that we use the co-source partner to do those audits, while I gain comfort of the knowledge and approach of our in-house team. So it is my intent that we do a mix, a mix of some of them will be done by the in-house team and some by co-source over the time, but I wanted to be able to be very clear and have time to make sure we have all the training and skills that we need, if we don't already, and we have a lot of new people who will be joining as part of the team and that's going to take time. So I want to be able to use an external person to use that, and that will be part of the co-source arrangement and a key part of the decision in understanding the credentials of the team that are available.

20

MR FEUTRILL: Have you selected the co-source partner at this stage?

MS OTTNER: No, not yet. I have narrowed down people who are and the request for tender will be going out this Friday. I will be reviewing those and making what I think is the selection and then taking that for approval to the relevant boards, committees.

25

MR FEUTRILL: Okay. Can I take you to the next page, which is pinpoint 3052, and there's a table --- there's a "Proposed Team Changes" heading?

30

MS OTTNER: Yes.

MR FEUTRILL: And there's a flow diagram. I just want to draw your attention to the table in the middle of that page towards the bottom that has current, additional and total. Is that what you were describing as the budget for ---

35

MS OTTNER: Yes, that is correct. Yes.

MR FEUTRILL: And in your statement, in one of the footnotes to the table, you've indicated that there is budget approval. Is that the budget that you are referring to that's been approved?

40

MS OTTNER: Yes, that is correct.

45 MR FEUTRILL: And how has this budget been approved exactly?

MS OTTNER: It was presented and discussed at each of the different subsidiary boards and the Crown limited board, where we discussed the numbers in terms of the

10:50AM

number of people and number of resources that we need and confirmed that these numbers were approved.

5 MR FEUTRILL: Under the column "Additional", that picks up --- does that pick up co-sourcing as well as externals?

MS OTTNER: That's correct. So the out-source partner is 0.15.

10 MR FEUTRILL: Right. That would be specifically for the AML component, would it not?

MS OTTNER: So originally I only planned on using that for AML, that's correct, but since we have had the vacancies, I will need to increase it because my reference  
15 to needing additional money earlier, which I spoke to Mr McGregor about.

MR FEUTRILL: This budget may need to be increased yet more to cover co-sourcing component?

20 MS OTTNER: Absolutely. But that's only happened in the last couple of weeks. It was not a known factor when I submitted this.

MR FEUTRILL: All right. Now, if you like, which entity in the group is responsible for paying for all the internal audit functions?

25 MS OTTNER: I have to admit, I don't know the answer to that. I have never asked whether or not our costs are assigned out.

COMMISSIONER OWEN: Mr Feutrill, if you could pop that back in, I just want to  
30 ask Ms Ottner, this chart here is different to the one that you were shown earlier. Does it replace it or is this a different sort of chart?

MS OTTNER: Okay. So when I --- so there's two things in this chart you'll notice. I don't have the reporting lines in it, so after I did this chart during the discussion, we  
35 were discussing the different reporting lines, et cetera, and I thought for clarity, it might be useful to include our reporting lines at the top for anybody looking at it. So it's a subset of the same chart, just following discussions, I added the additional bit in for clarity.

40 COMMISSIONER OWEN: So we can still rely on the earlier one --- I'll just repeat the number, I think it's CRW.701.009.4482 --- we can still rely on that?

MS OTTNER: Absolutely.

45 COMMISSIONER OWEN: Thank you. There is no need to bring it up.

MR FEUTRILL: All right. Ms Ottner, you may have already dealt with this in part. I would like to take you back to your statement, if I may, to paragraph 24. I think it

may be clear what this means now. The first sentence refers to internal audit at Crown Perth having completed some second line monitoring activities?

5 MS OTTNER: Yes.

MR FEUTRILL: Which accounts for approximately half of the internal audit position's time.

10 MS OTTNER: No, half of one internal audit position.

MR FEUTRILL: Half of one?

MS OTTNER: Yes.

15

MR FEUTRILL: So does that --- to be clear about this, if we go back to the table in paragraph 19, it's half of one of either the senior internal auditors or the --- newly to be appointed internal auditor, is it?

20 MS OTTNER: That's correct.

MR FEUTRILL: Does that continue to be the case?

MS OTTNER: Right now?

25

MR FEUTRILL: Yes.

MS OTTNER: Yes, that's correct. So we are still doing that work at the moment. I had not envisioned that it would be before Christmas. The earlier the better, obviously from our perspective, but I assumed it would be as late as Christmas because these things do take time and it important that we continue to do that monitoring in the meantime. And we had accounted for that in the internal audit plans. Once they had been done, I would then allocate that additional time out to additional audits once it had been confirmed.

35

MR FEUTRILL: Okay, thank you. Sticking with your statement for the moment, this is in the same section, I think, we were dealing with, the work and resourcing of the internal audit function. In paragraph 27, in the last sentence, there's a reference to transformation assurance work. A similar phrase is used in one of the documents you referred to in your statement as well. What is the nature of that transformation assurance work?

40

MS OTTNER: So there's the remediation plan and the cultural transformation plan which are a part of our response to the changes of Crown. So that includes uplift to our controls, to our risk framework, to sort of training, our policies, lots of different things. I believe the --- you have seen the remediation plan, so I think it's important when you're making this much change to an organisation that key area of assurance is being provided over it and will be something we need to do. So that's what this

45

10:55AM

refers to.

5 MR FEUTRILL: Jumping around a bit, Ms Ottner, I want to now take you to the internal audit plan for Perth for 2022 and 2024, which is referred to in your statement CRW.701.009.4458. The first --- first I want to draw your attention to pinpoint 4462, and I asked you a question a little earlier about the ERCC, and if it had any role to play?

10 MS OTTNER: Yes.

MR FEUTRILL: Under the risk based internal audit plan diagram, the far right-hand column underneath that are two bullet points, under "obtain approval for plan"?

15 MS OTTNER: Yes.

MR FEUTRILL: It refers to presenting a draft plan to the ERCC?

MS OTTNER: That's correct.

20

MR FEUTRILL: Was that undertaken?

25 MS OTTNER: It wasn't undertaken in the end because the ERCC meeting didn't happen in August, but when I prepared this, I believed it was going to happen, which is why it is there. But it will be a normal part of the plan to discuss it with the ERCC. As you see there, it says "present" and not obtain approval.

30 MR FEUTRILL: Just so I'm clear on the process going forward, then, is it the case that in future the role of the ERCC will be --- there will be a role, in that your draft plan presented to it for comments presumably by the executives?

35 MS OTTNER: Absolutely. So each of the executives --- I discuss it with them individually, but I think there is value in seeing it as a whole a fresh pair of eyes to see if there are any additional comments, anything that we think we may want to add to the plan. It's just a final sense check about the executive about their understanding of the business, and during the discussion, there might be something that comes up which makes them think of something they might want to say.

40 MR FEUTRILL: Okay. Now, can I move forward now to pinpoint 4467, which gives a breakdown of the resources. Now, there's a pie chart?

MS OTTNER: Yes.

45 MR FEUTRILL: That's in the middle of the page on the right-hand side, "Total Available Audit Day", and it tallies to 600. There's an orange 118, which makes reference to the second line assurance function?

MS OTTNER: That's correct.



10:59AM

MR FEUTRILL: That's what you have been referring to as half of one auditor?

MS OTTNER: Yes, that's correct.

5

MR FEUTRILL: Insofar as the actual internal audit function goes, do I understand that to mean there are actually 482 days allocated?

MS OTTNER: Yes, that's correct.

10

MR FEUTRILL: And 402 specifically, and 80 for, if you like, ad hoc and other matters?

MS OTTNER: I think we always leave some unallocated to address the emerging risks that we were discussing earlier.

15

MR FEUTRILL: Right. Now, the Commission has received some evidence earlier in the hearings from Ms Murray, who was the internal auditor for Perth, or last dedicated auditor for Perth some time ago, and the strategic audit plan for the financial years 2017 to 2019 allocated 950 audit days to Perth?

20

MS OTTNER: Yes.

MR FEUTRILL: And the resources, in terms of the number of audits, was not dissimilar to what is set out in your table 19, under paragraph 19?

25

MS OTTNER: Yes.

MR FEUTRILL: Are you aware of the earlier internal audit plan?

30

MS OTTNER: I haven't read them in detail, but I have cast my eye over them. I did a review when I first came to just understand the principle of how internal audit planning was done prior to my arrival.

MR FEUTRILL: Do you have a sense of why there may have been such a reduction in terms of the number of internal audit days?

35

MS OTTNER: I haven't seen --- I don't have access to the calculations of the prior ones. However, I am very comfortable with these numbers, because you take the total number of working days, you reduce holidays. I always leave training days, you know, appropriate for sick leave, and that leave there, total available days, and those available days are done, I have not been able to reconcile. When I look at some of the ones, it wasn't Ms Murray's but a different manager, annual leave, et cetera, was not always appropriately taken into account in the calculation, and what I noticed was that quite often, internal audit was not completing its plan, but that's because it wasn't taking into account the available days. It just looked at total days, and it's quite unreasonable that the team would not take holidays.

40  
45

MR FEUTRILL: Okay. That might be partly an explanation. Is there any element of efficiency associated with having a centralised audit function. In other words, is any part of the internal audit function for Crown Perth being performed in Melbourne or in Sydney?

MS OTTNER: Yes, that is possible, and it is possible that Perth does it. When we do group audits, sometimes we have it managed out of Perth, even though they do all three, and just recently, we were doing some work over our GST control framework. We had somebody in Melbourne with a tax background, so they were working on the Perth audit, just to provide that extra knowledge as well. So whilst each team as a rule looks after the property that they are based in, we do work as one team where necessary and appropriate.

MR FEUTRILL: In that pie chart that is in the plan, is any part of that taking into account personnel outside of Crown Perth or is this specifically for Perth?

MS OTTNER: This is Crown Perth.

MR FEUTRILL: I see. Can I ask you some questions about the remediation plan, which you have covered to some degree, Ms Ottner, in your statement. Now, in paragraph 57, you refer back to your answers to question 11, which is there in paragraphs 36 to 42, and I think you are really setting out there --- presumably you are familiar with the remediation?

MS OTTNER: I am. It's not on my screen, though, just in case --- but, yes, I am very familiar with the remediation plan.

MR FEUTRILL: You're familiar with item 40 being specifically your area?

MS OTTNER: That is correct.

MR FEUTRILL: If I understand this part of the statement correctly, you're really explaining there what has already taken place at this point in time?

MS OTTNER: Yes. There is a line in the remediation plan that talks about my role doing an initial review upon starting, and this talks about what I did.

MR FEUTRILL: All right. I just want to ask you one question about this. In paragraph 42 ---

MR EVANS: Sorry, can I just ask the remediation plan not be shown on the public screen.

COMMISSIONER OWEN: Just on the personal screens, please.

MR FEUTRILL: I didn't call for it, but someone was in front of me.

Sorry, if we go back to your statement, paragraph 42, Ms Ottner, there's a reference there to an internal audit strategy?

5 MS OTTNER: Yes.

MR FEUTRILL: What exactly is that?

10 MS OTTNER: It's a key part of any internal audit function, to have a strategy. So the way I like to do it is I always do at the meeting --- usually, I would do it at the meeting before the internal audit plan was presented but obviously that wasn't possible because of the timing of when I started so I'm going to do it afterwards. It sets out how you do the internal audit. It defines the, you know, are you risk-based, what type of tools do you use, how to use data analytics, what are you now and  
15 where do you want to be. Continuous improvement and evolution is a key part of internal audit as a profession and we always like to be demonstrating that evolution. It would integrate things like what are our KPIs, how do we measure success? It's a document that quite often is a three-year plan. It doesn't always have to be, and it referenced specifically in the internal audit standards.

20

MR FEUTRILL: How far through that process are you now? It's talking about completing it by the end of November?

MS OTTNER: I've got about three-quarters of it done.

25

MR FEUTRILL: Is it your proposal that that will be then presented to the audit and governance committee?

MS OTTNER: That is correct.

30

MR FEUTRILL: Will it also end up being presented to the Burswood Limited board?

MS OTTNER: Absolutely.

35

MR FEUTRILL: Okay. Now, I think then in paragraphs 57 onwards in your statement, you are describing something you've referred to as the audit uplift initiative.

40 MS OTTNER: Yes.

MR FEUTRILL: Just before I ask you about that, in item 40 --- you don't need to bring this up --- of the remediation plan, it indicates that under "Proposed Next Steps", you've made a number of recommendations, and they are available to  
45 regulators on request.

MS OTTNER: Yes.

MR FEUTRILL: What are the recommendations that you have made?

5 MS OTTNER: This is the same thing. So I have summarised that the uplift program is the same as the response there. So the recommendations that I made included increasing the size of the team, shifting to more of a risk-based auditing approach rather than compliance-based, and just diversifying the knowledge of the team, such, for example, when we do increase the team to recruit people with background in things like IT audit, data analytics, fraud investigations, just to help round out the overall skill set of the team, you know, for the ease of discussion, I named that the  
10 audit uplift program. But it's the same information that you see in my statement.

MR FEUTRILL: I see, okay. Can I ask you some questions about this uplift program, then?

15

MS OTTNER: Yes.

MR FEUTRILL: In paragraph 59(c), you have referred to improving the link between the risk register and the audit plan.

20

MS OTTNER: Yes.

MR FEUTRILL: What processes have you --- do you plan putting in place to improve that link? What do you mean exactly?

25

MS OTTNER: We already have done it. When we had it up earlier on the screen, there was the percentage links. So previously, there was no tangible way of tracing how we establish our plan in relation to the risk register. So it was always referenced in the internal audit plan document but you were not able to draw a direct  
30 comparison and link between the internal audit plan and the risk register. So those percentages that we were looking at earlier was done that --- is a demonstration of that link that we have done.

I always like to make sure that all of the areas are considered as part of the internal audit planning process, just to make sure, you know, are key internal audit needs to look in the right areas and the risk register provides a great direction of where that might be a good place to look.

35

MR FEUTRILL: Okay. Then under 59(d), you've referred to developing a process to improve the implementation of internal audit recommendations.

40

MS OTTNER: That's correct.

MR FEUTRILL: Has that process been developed?

45

MS OTTNER: It's happening as we speak. It's a massive part of what we're doing at the moment. So it was a very passive process, on a quarterly basis, emails were sent

out, people would respond, et cetera. So I want a more regular and proactive approach for all of the actions that are taken, and I have changed the way that the numbers are reported. Previously the table was combined. You weren't able to  
5 always clearly see which ones related to Perth, which ones related to Melbourne, et cetera, and I felt like that created a sort of lack of visibility and accountability where necessary, and I also brought it from the sort of grid table to the second page, actually the first page of the report, if you exclude the title page, because I think that it's very important, and it really highlights the importance of those things getting  
10 done.

MR FEUTRILL: So this is a mechanism to keep track of what recommendations have come out of audits and ensuring that the recommendations are ---

15 MS OTTNER: Implemented.

MR FEUTRILL: Implemented.

MS OTTNER: That's correct.  
20

MR FEUTRILL: With respect to 59(e), you have made a reference to changing the internal audit activity reporting to be more specific. Is that what you were mentioning in part in your answer to the earlier questions?

MS OTTNER: Yes, and when I started, what I noticed was that one pack was prepared, our reporting pack, and it was presented to ERCC and to all the different subsidiaries and to the board. There wasn't a separate one for each one and whilst you would definitely expect to see some information that is the same, one hundred per cent, I didn't think it was targeted enough. So if I was Burswood Limited, which  
25 of this exactly relates to Perth, what is it? I want to be able to pick it up and really look at it and have a robust discussion about it, so I separated out each of the different information for the subsidiary boards. It all goes in and combined up for Crown limited. I have also added an additional commentary. Before, it was just a little bit of a, "This is what we have done", rather than "this is what we've done and this is what it means". As we have introduced records root cause analysis and other  
30 tools, we'll be able to give more insights into the work that we do as part of that specific to each property.

MR FEUTRILL: Thank you. In 59(j) you've referred to arranging for a review of  
40 the risk management framework.

MS OTTNER: That's correct.

MR FEUTRILL: My query here is, is that a role that falls within internal audit or is  
45 that more for the risk management area?

MS OTTNER: No, no, so this is us assessing the effectiveness of the risk function. So something that is really key for internal audit is to understand the effectiveness of

different assurance partners and the risk function. For example, I mentioned that we sort of utilised the risk register to influence our work. It's really important when we do that that we have comfort that the risk register and the processes of risk are done  
5 in a way that we can place reliance on that, and it's also part of our risk management strategy that that review happens and on a regular basis. It often falls to internal audit to help to do to ensure independence.

MR FEUTRILL: Okay. In one of the documents, I think, referred to in your  
10 statement, there's a reference to something called an "assurance mapping exercise".

MS OTTNER: That's correct.

MR FEUTRILL: What is that?  
15

MS OTTNER: So, an assurance map is sort of a way of thinking about the way assurance is delivered in an organisation and they can look in lots of different ways. It's a tool, and they are very helpful for looking for assurance gaps. So often this ---  
20 this isn't it, but what you would normally expect to see is each of your key areas down one side. Sometimes you have key auditable areas, such as people, finance, sort of gaming and compliance, et cetera, it depends on the organisation. Then you would have first line, second line, and third line across the top. Then it talks about what they are doing.

25 The idea of it is, one, if we know there's a lot of first and second line assurance activity happening, we have done appropriate effectiveness reviews, we can what they call place reliance on that and it might decrease the amount of work we do or influences the type of work we do. Rather than doing a health check across lots of different areas, you might pick one area and do a deep dive, for example. It helps  
30 stop what we call duplicate assurance.

There are always going to be areas where you do have lots of eyes on it, because of the risk that it poses, and it also helps to identify any areas that may pose a risk, but aren't getting any assurance, and that also helps to influence our resourcing needs, et  
35 cetera.

MR FEUTRILL: If we go back to that document that was up, which is the CRW.701.009.4454, this is a sort of Gantt chart of the progress of the uplift ---

40 MS OTTNER: Absolutely.

MR FEUTRILL: --- you are involved in. I take it that what will we have just been discussing, this assurance mapping exercise, is something that is about to take place?

45 MS OTTNER: It just started --- I think, I want to say last week, it could have been the week before. The days melt into each other. So we are doing --- we are starting with --- I think it's Responsible Gaming, AML and there's another area that's slipped my mind. We are going to do that exercise and then because we need to agree what's

the format going to be, what's useful, and then once we have done that, we will then move to other areas in the business as well. So we are starting with Responsible Gaming.

5

MR FEUTRILL: All right. If I might just take you back again to the current audit plan. Before I do, you mentioned earlier some audit types. If I could take you to CRW.701.009.4455, I think this is a guidance note referred to in your statement?

10 MS OTTNER: That's correct.

MR FEUTRILL: This explains --- when you look at the audit plan, this gives an explanation of the type of audit that is described in each item; correct?

15 MS OTTNER: Yes. So you mentioned that I hadn't gone about updating the manual in one go, but there were --- so you'll notice that there are audit types in the manual. Where I thought there was a real shift --- rather than it being an administrative update, where it is a real shift that influenced how we did it and the team needed clarity and I needed clarity to present to the board, I did a guidance note to provide  
20 that extra information, so it is very clear. This is one of those.

MR FEUTRILL: In terms of the kinds of audits, a deep dive is one where you are really looking into the nature of the process and assessing whether it is effective, amongst other things, to control the risk in question?

25

MS OTTNER: So the difference between a deep dive and a health check would be the amount of sampling that you do. So the nature and intent of a deep dive and a health check are the same. You're looking at design effectiveness and operating effectiveness. You're looking at the process, how it is identified, you know, what's  
30 the risks, have I got the controls in responding to those and what the process looks likes. The big difference is the amount of sampling that you would do.

MR FEUTRILL: I see. So in both instances you're looking to see not only are the processes that are in place being implemented, but are those processes themselves  
35 effective to control the risks in question?

MS OTTNER: Absolutely.

MR FEUTRILL: Okay. So if we could go back to the CRW.701.009.4458, which is  
40 the Perth internal audit plan and go to pinpoint 4468. The first item on the plan for this financial year is to audit the AML financial crime framework?

MS OTTNER: Yes.

45 MR FEUTRILL: And it's referred to as a health check. That was intended to be out-sourced to a third party?

MS OTTNER: That's correct.

MR FEUTRILL: A little further on, there is a significant player process, which is on page 4470.

5 MS OTTNER: Yes. Yes, the SPR process.

MR FEUTRILL: That also involves an element of AML risk?

MS OTTNER: Yes.

10

MR FEUTRILL: And there is going to be a deep dive. That one is not out-sourced. That would be done internally?

MS OTTNER: So the SPR process is something that we absolutely have the skills in-house to do. I'm very familiar with that process, I'm very comfortable with that process, and the auditor. This audit will be --- Ms van der Westhuizen will be very close to this, because it requires that extra knowledge of gaming and the way our teams work. I have faith in this being done by somebody with extensive gaming experience and understanding the way information moves. We are also working closely with the AML team in relation to the updates that they are making to this, and that will provide us with the additional expertise that we need.

15

20

25

MR FEUTRILL: Okay. Then when we move to the next financial year, 2023, there's no indication of the level of the audit for that year; it's simply area?

MS OTTNER: Yes. So that's something that I look at each year. There's no value to me in looking that far ahead, because what I would do is I --- the budgeted days give me a rough idea. I make an assumption that everything sort of is a bit of a health check, and then if it needs to go deep dive, I would adjust it appropriately. I like to do it year on so it's very fresh. I understand what the current risk profile --- for example, I might say a deep dive today, but then the risk profile might change. For example, they might increase --- you know, make changes to the control environment, do improvement, et cetera. So there may be more of a need to do a --- one design check and a health check at a later point. So I don't see value in doing it that far out.

30

35

MR FEUTRILL: All right. I just have a question which I'd like you to clarify something for me, if you don't mind. In paragraph 22 of your statement, you've indicated that effectively one of the virtues of having an internal audit manager in Perth is that that person's on the ground, understands what's happening on the property, et cetera.

40

MS OTTNER: Yes, that's correct.

45 MR FEUTRILL: In the case of AML and CTF, there is going to be an outsourcing of the audit function?



11:21AM

MS OTTNER: Yes.

5 MR FEUTRILL: Are you not going to lose that element of understanding of the way in which a property actually operates in practice through that process?

10 MS OTTNER: Not necessarily. So there's different ways about how you structure co-sourcing. So sometimes you would have them work entirely separately; sometimes you have them work alongside your team. That's the importance of having somebody co-source with you rather than just do it on an individual basis. So it would be quite normal to have some people from a firm and working with somebody alongside our team, in a joint initiative. You can also have that team delivering it, and using our team to do subject matter expert input and reviews as well. So you gain the benefit of having the SME, or subject matter expert, view from 15 an AML perspective and the knowledge of Crown and you bring those two things together.

20 MR FEUTRILL: All right. Thank you. I just have some general questions now, if you don't mind, Ms Ottner, about the approach to internal audit at Crown since you've arrived.

MS OTTNER: Yes.

25 MR FEUTRILL: I take it you may not have --- you may not have read the Bergin report in its entirety, but I'm sure you're familiar generally with its conclusions?

MS OTTNER: I read it right at the start of working here, but I don't know it in depth. I have read it once but I do know the principles very well, yes.

30 MR FEUTRILL: I'm going to summarise a couple of the major conclusions that formed part of our Terms of Reference for this Commission. I'm going to slightly paraphrase them. One of the recitals to the Terms of Reference for this Commission records that the Bergin Inquiry found that Crown Resorts Ltd had facilitated money laundering through accounts of, amongst other companies, a company called 35 Riverbank Investments ---

MS OTTNER: Yes.

40 MR FEUTRILL: --- unchecked and unchanged in the face of warnings from its bankers. That was the conclusion, a summary of what was said in the Bergin Inquiry.

45 Would you accept the proposition that whatever internal audit program Crown Perth had in place before the Bergin Inquiry, none of the AML and CTF audits identified that risk of an absence of a control over the Riverbank Investments' bank accounts, as an element of the AML/CTF program?

MS OTTNER: What was the exact question, sorry?

MR FEUTRILL: Whatever internal audit process was in place in Perth at the time didn't identify that ---

5 MS OTTNER: That's correct.

MR FEUTRILL: Exactly the risk. There might be a number of reasons for that, but at least it didn't identify and it brings it to the attention of anyone in the board structure?

10

MS OTTNER: That is correct.

MR FEUTRILL: Similarly, one of the terms of reference, we have records that the Bergin Inquiry found that Crown Resorts Ltd entered into or continued commercial relationships with Junket operators who had links to triads and other organised crime organisations. Again, whatever internal audit function was operating in Perth prior to the Bergin Inquiry, it didn't identify an absence of control over that risk?

15

MS OTTNER: Yes, that is correct.

20

MR FEUTRILL: So in the time that you have been in the position you're in with Crown Resorts, has there been any investigation into the internal audit function in Crown Perth during that pre-Bergin period to consider if there was some failing in that process that led to that gap, that non-identification of risk?

25

MS OTTNER: I think my first comment --- so the answer is not specifically with that mandate. Internal audit's role is to provide reasonable assurance, not absolute assurance, but in the principle of what you are asking, I have looked at two main things, because I have considered this as well, upon commencing: one, what was the focus of internal audit, how did we set our plan, why did we direct our attention to certain activities and not others, how did that link to the risk profile, did we have access to the information we needed to understand the risk profile itself to be able to identify such risks if they did exist. Also, are the audits undertaken in such a way that we would identify those risks if they were there, if sampling was appropriate.

30

In relation to the access to information, previously there was a sort of a ceiling with which internal audit had access to, which I think has been discussed at this Commission, but that no longer exists. I now attend boards directly, I have access to the executives, I have unfettered access to whatever I need to do to do my job.

35

Two, the way we set our plan --- this is one of the things that was very important to me that we align with our risks and understand the risk profile ourselves. So, you know, where is the inherent risk of gaming, and also non-gaming risks such as, you know, safety of our people as well, and safety of our customers, et cetera. So that's another thing that I have done.

40

Also, the way we do our audit. So historically, I had a look at the way audits were being delivered and there was a real focus on compliance. So if the policy says this,

do we do it --- you know, if document A says this, do we do it? But there weren't necessarily questions about does this document say what it needs to say? How is it designed? What are the risks associated with this process and do we have controls to address that, even if it sits outside of that document? We need to obviously assess compliance with regulations and the documents themselves, but it needs to be thought about from a risk-based perspective as well and that's probably been the biggest change I've made since starting, is introduce tools which helps to facilitate that process in risk and control matrixes.

10 MR FEUTRILL: Can I just go back to ask the question again in a slightly more direct way?

MS OTTNER: Sure.

15 MR FEUTRILL: In the process you've undertaken, have you --- sorry, I will start again. I will say this: you may have a well-designed internal audit program that just misses something because ---

20 MS OTTNER: Absolutely.

MR FEUTRILL: So that can happen. So the question I'm really asking is have you analysed the programs in place in Crown Perth pre-Bergin to see if they just were unlucky in the sense they had appropriate audits but missed it, or have you analysed it from the perspective of they weren't looking in the right places?

MS OTTNER: I have analysed where they were looking, and from what the information --- from the way they were prepared at the time, I couldn't see anything indicating that they weren't doing what they needed to do. With the information that we have now, it's very clear. But based on the documents that I have read, the audit reports that I have, the testing of the files that sit behind it, it's just clear that there was nothing that they could have done differently.

35 MR FEUTRILL: All right. Nonetheless, I think you said that one of the changes you have implemented, or if I understood your answer earlier, the observation you made was there was a focus on compliance ---

MS OTTNER: Yes.

40 MR FEUTRILL: --- so much on whether or not this system that was in place was adequately addressing the risk?

MS OTTNER: And that's part of the strategy of the an internal audit function. Their strategy at the time was focusing on that. That was the decision made at the time, whereas I am choosing to do a strategy that focuses based on risk, which is considered to be a more modern approach.

MR FEUTRILL: So can I ask this question, then: insofar as the design of the

AML/CTF audits for the future are concerned, is it your intention that one of their features will be to assess whether not only if it complies with the letter of the AML/CTF Act, but whether its design is effective to capture all risks?

5

MS OTTNER: Absolutely. So that will be done partly by us and also partly by an independent review, which is kicking off in December this year.

10 MR FEUTRILL: Will that be --- is that part of the internal audit function review or is that going to be undertaken by the financial crime itself?

15 MS OTTNER: So it started in financial crime, but as we've moved to strengthen the three lines of defence, the ownership of that has moved to internal audit, and I just recently last week selected the firm for that and we are going through the process of appointing them. It will be run and owned by internal audit as part of helping to gain comfort over the design of it but we will obviously always continue to reassess that in the future as part of our individual audits.

20 MR FEUTRILL: In the internal audit plan where it refers to Mr Blackburn, he is effectively the manager with whom you will liaise to design the appropriate audit?

MS OTTNER: No, so he is the person who will receive the report.

25 MR FEUTRILL: I see. All right.

No further questions.

30 COMMISSIONER OWEN: Thank you, Mr Feutrill. Do we have any counsel who are not in this room? Not today. Are there any applications from the room? No.

### **QUESTIONS BY THE COMMISSIONERS**

35 COMMISSIONER MURPHY: Just a couple, if I may.

40 Ms Ottner, Mr Feutrill took you to the reporting arrangements and you talked about the direct access you now have to both the subsidiary boards and to the audit committee of the board. How important is that for internal audit?

MS OTTNER: To have access to --- unfettered access to the board?

COMMISSIONER MURPHY: Yes.

45 MS OTTNER: It's essential.

COMMISSIONER MURPHY: Is that a requirement of the internal audit standards?

MS OTTNER: Yes, it is.

5 COMMISSIONER MURPHY: Under the arrangements you have in place, you attend the Burswood Limited board meetings?

MS OTTNER: Yes, that is correct. On a quarterly basis. Not every single one, but I attend on a quarterly basis.

10 COMMISSIONER MURPHY: The previous arrangements, have you looked at those, what was in place before, where internal audit reports were effectively reported to Burswood Limited by executive?

MS OTTNER: Yes, I have seen those.

15

COMMISSIONER MURPHY: Would that be better practice, or consistent with internal audit standards?

20 MS OTTNER: The delivery --- so the information was presented to them. So it probably meets sort of the minimum expectation, but it would be considered more ideal that somebody from internal audit presents it, better practice.

25 COMMISSIONER MURPHY: Did internal audit at the time have any access to non-executive directors on the board?

25

MS OTTNER: I don't know. I haven't spoken with Ms Murray or anyone about that, but I know from my discussions with Ms Siegers that she didn't present to the boards.

COMMISSIONER MURPHY: Thank you.

30

COMMISSIONER JENKINS: Ms Ottner, you said that different boards may have different appetites for different risks. Can I ask you how do you ascertain what Burswood Limited's risk appetite is for different risks?

35 MS OTTNER: So when I talk with them I will raise, for example --- we were talking about it in relation to an emerging risk. So often an emerging risk, you would look at it in relation to the overarching risk appetite statement that exists but if it hasn't yet materialised, it doesn't often fall within the parameters of that. What I would normally do is present my analysis. So there might be a risk that isn't relevant to the  
40 structure of the team or the operations. It might be, you know, a geographical risk, for example, so I present all of that information.

45 Something that I would normally also do is on an annual basis have discussion with each of them in relation to the risks, their view, what needs to be --- what needs to happen and be input into our plan. There is also off camera sessions, which haven't happened traditionally with Burswood board but it will be happening going forward. I have had that discussion with the deputy company secretary, which gives them an opportunity to have a more informal discussion and ask questions why they might do

something, what they think and we can have an exchange with management present to be able to make that discussion.

5 COMMISSIONER JENKINS: Does the Burswood Limited board have an appetite statement?

MS OTTNER: I believe it's a Crown Resorts one. I don't know if it happens at a ---  
I'm talking about emerging risks here, which wouldn't form part of that. But if it  
10 does fall within the formal risk appetite statement, then it would be dictated and guided by that.

COMMISSIONER JENKINS: So should Burswood Limited have its own appetite statement?  
15

MS OTTNER: It depends how you structure your risk management system. Some companies do have it, some companies don't.

COMMISSIONER JENKINS: In your opinion, as an experienced internal auditor, is it of assistance to an internal auditor?  
20

MS OTTNER: I have read the risk appetite statement that we have and I think that it provides clarity across all three, it isn't specific, it doesn't reference one. There might be value in having one if there are specific risks relevant to one property, and not  
25 another. That's where I think it would be useful but I haven't yet come across that in my time at Crown.

COMMISSIONER JENKINS: And the only other thing was you've made reference to the Crown ERCC. Perth Casino had an ERC. Have you heard of it?  
30

MS OTTNER: I've never heard of that, I have to admit.

COMMISSIONER JENKINS: Thank you.

35 COMMISSIONER OWEN: Ms Ottner, I have just two questions. Can we bring up the organisational chart. This is so that I make sure I understand it. It's CRW.701.009.4482. We can see the five Perth positions there, in the bottom left-hand corner, there's four?

40 MS OTTNER: Yes.

COMMISSIONER OWEN: In the bottom left-hand corner of the box is the senior IT auditor of the group. Now, you've dealt with this in the table that's in paragraph 19 of your statement, and you've made some comments about the individual positions, a  
45 couple of them in paragraphs 22 and 23. I just want to make sure I understand it.

MS OTTNER: Sure.

COMMISSIONER OWEN: The internal audit manager Perth has a direct report to you?

5 MS OTTNER: Yes.

COMMISSIONER OWEN: But then a dotted line report to the position "Senior IT Auditor - Group Perth". Do you see that?

10 MS OTTNER: How it works is everybody underneath reports to them, so the three positions, two senior auditors and internal auditor, each report to the internal audit manager. The senior IT auditor will be reporting to the internal audit manager of support services, hotels and F&B. That's because the person who holds that position has a background in IT audit. But because they are based in Melbourne, it's  
15 important that they have access to somebody on a day-to-day basis as well which is why we have a dotted line. So they share three direct reports and one sort of administrative report. Then they report functionally from an IT audit perspective into the manager based in Melbourne, and the IA manager reports to me.

20 COMMISSIONER OWEN: That really is my question. This position called Senior IT Auditor - Group Perth, if you are looking at it, using the vernacular --- sorry, is that position domiciled in Perth or ---

MS OTTNER: Perth.

25

COMMISSIONER OWEN: It is domiciled in Perth?

MS OTTNER: Yes.

30 COMMISSIONER OWEN: To use the vernacular, who is the boss, who is the most senior internal audit person in Perth, which of those two positions is it?

MS OTTNER: Oh, IA manager.

35 COMMISSIONER OWEN: That's Ms Westhuizen?

MS OTTNER: Ms van der Westhuizen, yes.

40 COMMISSIONER OWEN: All right, thank you. Now, you mentioned the co-source partners and the AML area is one of the areas that you may look to gain outside expertise. Can I just ask what would be the source from which you would get that expertise, those people? For example, would you be looking to the big four accounting firms, or small accounting firms, or independent contractors, where would you find those people?

45

MS OTTNER: We are currently speaking with two of the big four and one specialist area.

COMMISSIONER OWEN: All right. And in terms of the Perth market, we are used to --- in Perth at the moment if you want to find a carpenter or a plumber, you can wait for weeks. In terms of the Perth market, your experience to date is that that expertise is available?

MS OTTNER: You're talking about for co-source?

COMMISSIONER OWEN: Yes.

MS OTTNER: So that's one of the things that I'm currently investigating at the moment. One of the key selection criteria is going to be the availability of at least some of the team to be located in Perth. It is not my requirement that the entire team is located in any one area because you may have someone with, you know, exceptional experience based in one area, even perhaps overseas in some places, but you would want some of the team, particularly the people on the ground doing the testing, as much as possible based in Perth. It is a key selection criteria for me in making that decision.

COMMISSIONER OWEN: Thank you, Mr Ghandi?

MR GHANDI: I don't have any questions.

COMMISSIONER OWEN: Thank you. Ms Ottner, thank you very much for your evidence. It has been of great assistance to us and you have our gratitude. The summons I think, the formalities of the summons have been complied with so we will discharge the summons and you are free to go about your other duties, again with our thanks. Thank you. We will adjourn now and resume a 1.00 pm.

**THE WITNESS WITHDREW**

**ADJOURNED** [11.41AM]

**RESUMED** [1.00PM]

COMMISSIONER OWEN: Thank you, please sit down.

Thank you, Mr McCann. We understand you will probably have had a busy morning, so we are grateful to you for making yourself available.

Ms Young.

MS YOUNG: Yes, I appear for Mr McCann.

COMMISSIONER OWEN: Mr McCann, do you wish to affirm or take an oath?



12:58PM

MR McCANN: I will affirm, please.

5 **STEPHEN BARRY MCCANN, AFFIRMED**

**EXAMINATION-IN-CHIEF BY MS THORNTON**

10

MS THORNTON: Mr McCann, you've prepared a witness statement dated 25 October 2021 in response to the summons you received (audio distorted) dated 8 October 2021, is that correct?

15 MR McCANN: Yes.

MS THORNTON: You have a copy of that statement with you?

MR McCANN: Yes.

20

MS THORNTON: And that's document ID number CRW.998.002.1047?

MR McCANN: Yes.

25 MS THORNTON: That's your signature on page 10 of the document?

MR McCANN: Yes, it is.

MS THORNTON: Are the contents of your statement true and correct?

30

MR McCANN: Yes.

MS THORNTON: Commissioners, I tender that statement with its annexure.

35 COMMISSIONER OWEN: Thank you. The witness statement of Stephen Barry McCann dated 25 October 2021 and bearing identifier number CRW.998.002.1047 is admitted into evidence as an exhibit.

MS THORNTON: Thank you, Commissioner.

40

Mr McCann, I understand you would like to take the opportunity to address the Commissioners on Crown's remediation program in your evidence-in-chief?

MR McCANN: Yes, I would, please.

45

Commissioners, I have a written statement in front of me that I will read from. I joined Crown on 1 June this year as CEO and managing director. At the time I

started with Crown, the Bergin report had already been handed down in New South Wales and both the Victorian and Western Australian Royal Commissions had commenced.

5 I knew from the outset that Crown would need to undertake a rigorous transformation in terms of its culture, its risk and compliance regimes and its relationships with regulators. I agreed to join Crown in this role because I believed I could help guide it in that transformation and make a significant difference based on my experience overseeing the management of a large complex organisation in  
10 multiple jurisdictions.

Crown has been reforming from the board down since before I started in June. The Bergin report handed down in February this year acknowledged that Crown had commenced some reforms but recommended additional changes for suitability to  
15 commence gaming in Sydney. Since the release of the Bergin report, our reform program has picked up pace across all areas of the organisation. A comprehensive remediation plan provides detail on all of these reforms, and through this we are changing the way we conduct our business.

20 The proposed reforms apply across the entire organisation, including best practice governance, compliance, risk management, responsible gaming and culture.

This morning, the Victorian Royal Commission report was tabled in the Victorian Parliament. The Victorian Royal Commission found Crown Melbourne is unsuitable  
25 to hold a casino licence and recommended that a special manager be appointed to oversee all areas of the casino's operations for the next two years.

The Victorian Royal Commission found that the reasons for Crown's misconduct include a failure by Crown Melbourne's board to carry out its responsibilities, in  
30 particular its obligation to ensure that Crown satisfied its legal and regulatory obligations. The report also finds that many senior executives at Crown were indifferent to their ethical, moral and legal obligations.

35 These findings are very sobering. I accept them and will work hard to improve the organisation every area which the Victorian Royal Commission found lacking.

In respect of Crown's remediation work, the Victorian Royal Commission found Crown had at great financial cost embarked on a significant reform program led by  
40 people of goodwill and skill. The Commissioner found that the reform program is likely to succeed.

45 Since I started in June, I have been working hard on that reform program. I'm dedicated to transforming Crown from the top of the organisation down. The Victorian Royal Commission report sets out a path forward for Crown Melbourne, and its recommendations will form an important part of our remediation process.

The details of those recommendation and how they might be implemented are matters I have not yet had the opportunity to fully consider. It is something which I will be

dedicating my time and energy to in the coming weeks and months.

5 As an organisation, we will need to work with the Victorian government and with the special manager to ensure a workable, effective system of governance and control is established to enable those responsible and accountable for implementing Crown's reform program and deliver the right outcomes for the community and for all stakeholders.

10 We will also need to consider how the findings on particular aspects can be used for the purposes of Crown Perth.

15 I can say that the remediation process at Resorts is well progressed. There has been significant change at both the board and senior executive level over the past 12 months, and there is now almost entirely new leadership in place at Crown.

20 At the conclusion of Crown's annual general meeting held last Thursday, 10 of the 11 directors present at Crown's 2020 annual general meeting had left Crown. Dr Switkowski will join the board as chairman following receipt of all necessary regulatory approvals. Nigel Morrison and Bruce Carter have been appointed and now elected new non-executive directors, and we recently announced the appointment of Anne Ward to the board pending regulatory approval. There has been considerable change across the Crown Group at the senior management level.

25 The management team supporting me in my role as CEO and managing director has been refreshed. The new management team is made up of experienced professionals, most of whom, like me, are relatively new to Crown or are occupying new roles under our revised structure.

30 This revised structure has seen key compliance functions separated from operations, with greater transparency and clear reporting lines to the board and board committees. This has also resulted in the creation of new senior positions, including a chief compliance and financial crime officer and chief risk officer.

35 We have introduced a new group human resource function to drive cultural consistency across the organisation and appointed Tony Weston as chief people and culture officer.

40 As part of our reforms, we have clarified organisational responsibilities and materially enhanced capabilities and resourcing in our financial crime, compliance, risk management and responsible gaming functions. For example, this year, we have added approximately 70 full-time equivalents across the financial crime and responsible gaming functions alone. In addition, we have implemented other important changes.

45 These include the decision for Crown to cease making political donations and the decision to phase out indoor smoking in our Australian resorts at the end of next year. There is no question that all of these reforms represent fundamental changes that will

strengthen our business. I will continue to work hard to implement these reforms.

5 An important aspect of Crown's remediation process is a renewed commitment to anti-money laundering and counterterrorism financing programs. Steve Blackburn is Crown's new chief compliance and financial crime officer. He is the former head of financial crime at NAB and is leading the transformation of Crown's anti-money laundering capability.

10 Steve Blackburn has attracted to Crown some of the leading AML and financial crime experts from outside of the gaming industry. This means we are applying best practice thinking to our anti-money laundering and financial crime program. This is vital because it will enable us to keep up with the ever-changing challenges present in the world of financial crime.

15 I see Steve Blackburn's role as a crucial part of Crown's remediation process. He and his team have my full support, and I am committed to embedding the highest standards of governance and compliance across the business and particularly in relation to AML and financial crime matters.

20 Immediately upon joining Crown, Steve developed and then delivered a bespoke AML/CTF training module for all directors and senior management. That training program is now a mandatory training module for all new directors. I completed this training program when I joined Crown in June. I am dedicated to reducing the risk of criminal elements utilising Crown's facilities.

25 Some of the ways Crown is seeking to achieve that aim are by ceasing any dealing with Junket operators and by implementing a new significant player review process. This process has already resulted in the exit of a number of historical customer relationships. In addition, Crown has implemented an enhanced approach to source of wealth and source of funds checks.

30 Overall, we have made material progress in implementing significant wide-ranging reforms, and I am confident that we have a very high caliber team of AML financial crime professionals guiding us through this process.

35 I'm conscious, though, that AML financial crime is an area where you can never say you are done. It is an ever evolving landscape and there are always going to be new challenges to combat. We will continue to work with experts in the field to ensure Crown is educated on the risks and continually improving its systems.

40 Crown recognises that the responsible service of gaming is a condition of Crown's social licence to operate. We have also entrusted Steve Blackburn with overseeing the enhancement of our approach to responsible gaming. We are strongly focused on embedding a responsible approach to gaming across our business with enhanced training and a series of changes to the way we manage our business informed by industry experts.

5 We are increasing our dedicated responsible gaming resources by over 40 per cent, expanding and improving our responsible gaming facilities, and adopting a range of changes to play limits and other recommendations which we are working through with assistance from our Independent Responsible Gaming Advisory Panel and which are embodied in our RG change program. We are also working with external advisors, researching challenging initiatives, such as methodologies to improve oversight of uncarded play.

10 The role of chief risk officer reports directly to me as CEO and has a direct reporting link to the risk committee of the Crown Resorts board. This is a change to the historical reporting structure and reflects the increased importance of risk management to Crown.

15 One of the focuses of Crown's remediation program is enhancing Crown's employees' risk awareness and improving the risk management processes and functions. As part of that process, we have clarified organisational responsibilities and significantly enhanced resourcing in our risk management function. It is an area in which we are committed to continuing to improve.

20 I understand the importance of a good risk management process, and Crown is making progress in embedding a new risk culture. It is an ongoing process, and one which I am closely monitoring across the group.

25 Crown's culture transformation program is progressing, and my view is that we are bringing our organisation with us. With the assistance of external experts in the field, this program has involved a detailed analysis of Crown's current culture, including organisational-wide surveys, focus groups, targeted sessions with employees and leadership forums and the development of a detailed cultural reform roadmap to move Crown to its target organisational culture, which is now in the  
30 process of being implemented.

I know that we must do things differently to how they have been done in the past. To that end a substantial cultural reform program is now underway across the business.  
35 Following several months of engagement with our employees and business leaders, we now have a renewed purpose statement that together we can create exceptional experiences with respect and care for our communities.

40 This reflects our focus on why we exist as an organisation, and how we deliver those exceptional experiences. Our purpose is underpinned by our four core values: We act with integrity, we work together, we care and we strive for excellence.

45 The next step will be implementing those values and embedding them into the culture of the organisation. I and all the other leaders at Crown will be assessed on delivery against these values, as will everyone in the organisation. Our policies and procedures will reflect the values, and reward and recognition will be linked directly to them.

We are substantially upgrading our processes and systems to make it easy for our people to perform at their best, to manage risk appropriately, and to provide transparent and accurate information. We have are creating an environment which  
5 will help our people to act with integrity and care and to speak up around any issues that do not align with our values.

An important part of this culture change process is the hiring of experienced executive leadership to help drive the transformation of the business. The culture  
10 starts at the top, and from the senior executive team down, we expect all Crown employees to adopt our core values and act in a way that is consistent with our purpose.

Crown remains a strong and resilient brand. The integrated resorts in Melbourne, Perth and Sydney, are world class. Our dedicated and talented people underpin our premium service and strive to provide exceptional experiences. I'm committed to continuing to drive improvement and positive change. There is a way to go, but I am dedicated to the remediation process and working hard on its implementation. Thank  
15 you.

20 MS THORNTON: Thank you, Mr McCann.

Commissioners, that is the evidence-in-chief of Mr McCann.

25 COMMISSIONER OWEN: Thank you. Ms Cahill.

### **CROSS-EXAMINATION BY MS CAHILL**

30 MS CAHILL: Can we go to your witness statement, please. On the first page at paragraph 6, you say your appointment as managing director and CEO of Crown Resorts became effective just under a week ago on 20 October following the receipt of all regulatory approvals, but I assume that those regulatory approvals were not all  
35 made on the same day; is that right?

MR McCANN: That's correct.

40 MS CAHILL: When did you receive regulatory approval from the GWC?

MR McCANN: Some months back. I can't remember the exact date.

MS CAHILL: From ILGA, did you receive regulatory approval from ILGA?

45 MR McCANN: That was the final one on 20 October.

MS CAHILL: And from the VCGLR, when was that?

MR McCANN: Again, I think that was about two months ago.

5 MS CAHILL: Between 1 June, when your appointment was made by Crown Resorts, and when you received the regulatory approvals, what role did you play in the governance and management of the affairs of the Crown Group?

10 MR McCANN: So my role was effectively as CEO, but with limitations on how I could bind the organisation in decisions, so I made recommendations to the board for implementation of decisions, but I oversaw the management and governance of the organisation at its operating level.

15 MS CAHILL: In paragraph 8 on the same page of your witness statement, you refer to your appointment as director of Burswood Limited on 23 August 2021. Was that before or after regulatory approval from GWC?

MR McCANN: I believe that was after.

20 MS CAHILL: Thank you. Now, can I ask you some questions about governance. You are a member of the Crown Resorts audit and corporate governance committee, aren't you?

MR McCANN: Yes.

25 MS CAHILL: And you refer in paragraph 37 on page 1052, I think it is, to the committee's work and the reform process, and you say that Crown has been considering the merits of a centralised versus decentralised governance model, but that that project has been paused pending the outcome of this Commission and the Victorian Royal Commission. So do I understand correctly that Crown Group does  
30 not wish at the present time to reach a landing on whether there should be a centralised governance structure or a decentralised one?

35 MR McCANN: Yes, that's correct. There were a number of considerations discussed at the board over previous months, but we took a decision to wait until the outcome of the various regulatory inquiries before we finalised that set-up.

MS CAHILL: So it will stay with the status quo until both Royal Commissions are completed?

40 MR McCANN: There will be likely to be changes required emerging from the outcome of the Victorian Royal Commission, which we will need to work through. That will be specific to Crown Melbourne, I expect, but then subsequently in relation to Crown Perth, there may also be outcomes from this Commission, which may lead to a different set-up in Perth than in Melbourne, for example.

45 MS CAHILL: In terms of Crown Perth, what is the present position, in your view, as to whether the governance structure is centralised, decentralised or something in between?

MR McCANN: So there are two aspects of the structure, as I would describe them: the governance and the management structure. So governance in the context of board ---

5

MS CAHILL: Sorry, I will just pause. I'm only asking you about the governance structure, not the management structure at the present time.

MR McCANN: Okay. So in the governance, the board structure in Perth, is such that Burswood Limited, which is the 100 per cent owner of a range of entities underneath that company, is the company that manages and governs the Crown Perth resort. That company is itself wholly owned by Crown Resorts Limited, so Crown Resorts Limited is the company that is in the position to appoint and remove directors of Burswood Limited board.

15

MS CAHILL: So you can assume that the Commission has an understanding of the structures and who owns who in the corporate structure. The question is, from your point of view, is the Crown Perth structure a governance structure presently centralised, decentralised, or something in between?

20

MR McCANN: Governance structure, where the oversight of Crown Perth is established, is in Burswood Limited, and that's a fully functioning board that makes decisions on behalf of, and in the best interests of, Burswood Limited. So that is, in that context, a decentralised structure in that it resides in Perth and the CEO of Crown Perth, Lonnie Bossi obviously, and a significant number of management of the Perth business also reside in Perth.

There are group roles on the management side of the business which assist the management of Perth and oversee a number of aspects of the Crown Perth management. So that all goes to governance, but fundamentally the board is the governing body.

30

MS CAHILL: So if we go to paragraph 29 of your witness statement, page 1051, you describe the board of Burswood Limited making decisions in its own right in the interests of Burswood Limited. You are conveying there a decentralised structure where the Burswood Limited board has a decision-making role independent of the Crown board; is that right?

35

MR McCANN: That's right. The Burswood Limited board and its directors need to consider all of the information presented to them and make decisions in the interests of Burswood Limited.

40

MS CAHILL: Yes. Then in the next sentence, you describe the decisions of the Burswood Limited board being passed down to Burswood Limited's senior management with Mr Bossi at the top, and you say then that Burswood Limited senior management team make the key strategic and operational decisions affecting the Perth Casino. Do you mean independently of the Crown Group as directed by the

45



Burswood Limited board?

5 MR McCANN: The operational decisions on a day-to-day basis in relation to the running of the casino are made at the management level in Perth. The key strategic decisions that the management team makes must be approved by the Burswood Limited board.

10 MS CAHILL: But not the Crown board?

MR McCANN: Not the Crown board.

15 MS CAHILL: Now, if we just go to paragraph 21 at page 1050, just to clarify your evidence here, you are describing Burswood Limited's head office being based in Perth. You go on in the second sentence to talk about decisions regarding day-to-day operations being made in Perth and the CEO of Crown Perth being responsible for those day-to-day operations. Consistent with what you've said in paragraph 29, the CEO is responsible for and decisions are made in Perth, not just in relation to day-to-day operations but also key strategic decisions which are approved by the Burswood  
20 Limited board; is that right?

MR McCANN: Yes.

25 MS CAHILL: There's a supplement to the evidence that you've given there, in that it's not just day-to-day operations; it's also key strategic decisions?

MR McCANN: Yes, that's right.

30 MS CAHILL: When you say in the third sentence in this paragraph that the CEO of Crown Perth reports to you in your capacity as CEO of Crown Resorts, how does that reconcile with the key strategic decisions being made by the CEO in Perth as approved by the BL board?

35 MR McCANN: So Lonnie Bossi as CEO of Crown Perth, as it states in my witness statement, reports directly to me in my capacity as the CEO of Crown Resorts. Burswood Limited is a wholly owned subsidiary of Crown Resorts. Ultimately, I'm accountable for the outcomes of decisions that are made that affect shareholders of Crown Resorts Ltd. There is no abrogating that accountability through the  
40 relationship with Mr Bossi. I need to work with Mr Bossi to ensure that any strategic decisions made in relation to Crown Perth are also aligned at a group level with what we are trying to achieve as a group, and that's certainly the way we work together.

45 MS CAHILL: You direct Mr Bossi as to key strategic decisions affecting Crown Perth?

MR McCANN: Mr Bossi reports to me, and I am in a position to hire or fire Mr Bossi with board approval. So, from that perspective, yes.

MS CAHILL: Can you, therefore, countermand key strategic decisions that the BL board has directed Mr Bossi to carry out?

5 MR McCANN: No, I can't countermand the decisions that the Burswood Limited board has directed Mr Bossi to carry out. I am a member of that board, and decisions that are made at a board level will be required to be implemented by Mr Bossi. So to the extent that we have a difference of opinion on a strategic issue, then obviously that's something that we would discuss and resolve and go to the board with the  
10 appropriate recommendation.

MS CAHILL: But in your capacity as CEO of Crown Resorts, if you have a different view to the majority view of the Burswood Limited board on key strategic matters, the Burswood Limited's board view holds sway?

15 MR McCANN: That's correct.

MS CAHILL: At paragraph 22 you refer to Burswood Limited's position as a wholly owned subsidiary of Crown Resorts with the authority to appoint and remove  
20 directors. That doesn't necessarily compel a conclusion, though, does it, as I think you're saying, that there's a centralised structure. Crown Resorts board can still have the power of appointment or removal over the directors of Burswood Limited whilst at the same time conferring that board with the power to exercise independent authority delegated or otherwise to make key strategic decisions?

25 MR McCANN: Yes, but with a bit of a nuance, which is that the Burswood Limited constitution actually operates in a way where, if I can use the term residual powers, they sit with Burswood Limited. So actually the way that it works in practice is that Burswood Limited --- and we have been working through this as a board of Crown  
30 Resorts board and also engaging with the Burswood Limited board in relation to a new charter --- is to ensure that those decision-making responsibilities that are to be, if you like, vested in Crown Resorts are spelt out. Because, if they are not, then they are under the constitution powers that sit with Burswood Limited rather than Crown Resorts. So it's almost counterintuitive to the way that a parent subsidiary  
35 relationship typically works.

MS CAHILL: Coming to that draft charter which you refer to at paragraph 23, you say that that's likely to come into effect at the next Burswood Limited board meeting, which is scheduled for when, Mr McCann?

40 MR McCANN: The next official Burswood Limited board meeting is, I think, 10 December.

MS CAHILL: You expect it to be approved at that meeting?

45 MR McCANN: I think it's likely to be. We are in discussions about that now, but there may be changes to that once we have been through those discussions.

MS CAHILL: Having regard to what you say at paragraph 37 of your witness statement that I took you to a little moment ago and what you have just said to me in answer to some my questions, that draft charter which is likely to be approved is not intended to change the present status quo regarding the current governance model of being essentially a decentralised structure; is that right?

MR McCANN: That's correct.

MS CAHILL: Do I understand correctly from paragraph 23 that the intention is for the charter to be formally approved by the Burswood Limited board but not the CRL board?

MR McCANN: It needs to be approved by the Burswood Limited board. It will be endorsed by the Crown Resorts board, I expect. It's already been discussed at the Crown Resorts board level, but we have not approved it because it hasn't yet been put to the Burswood Limited board.

MS CAHILL: Has it been formally approved or endorsed by the group audit and corporate governance committee?

MR McCANN: I think it was discussed directly at the board level, so the full board of Crown Resorts, which incorporates all members of that committee.

MS CAHILL: Just to answer that question, has it gone through the formal process of being reviewed by the corporate governance committee and been the subject of approval, endorsement or recommendation?

MR McCANN: I don't believe so.

MS CAHILL: Is there a reason for that?

MR McCANN: No, other than efficiency of process.

MS CAHILL: Did you have carriage of the preparation of the draft board charter for Burswood Limited?

MR McCANN: I had input into it.

MS CAHILL: You certainly, informally, not in your capacity as director of Burswood Limited but otherwise, approved of its contents?

MR McCANN: Yes, I did, although obviously there were several versions that went through a draft process. I had input into that whole process.

MS CAHILL: Presumably the purpose of the charter at its core is to clarify the roles and responsibilities of the Burswood Limited's board directors?

MR McCANN: It is, and to clarify the way that the operational relationship between Crown Resorts and Burswood Limited works in practice.

5 MS CAHILL: If we go to the draft charter CRW.701.009.5275, at page 5381, in section 3, if we can expand that for Mr McCann so he can see it more easily, the third paragraph, second sentence, do you see the words:

10 In this regard, the role of the Board is to exercise oversight of the management *and control of Crown Perth* .....

And then it says.

15 ..... and reporting into the Board of Crown Resorts Ltd.

Do you see that?

MR McCANN: Yes.

20 MS CAHILL: So is it intended that the board of Burswood Limited has a standard reporting function into CRL?

25 MR McCANN: Yes, all Burswood Limited --- all papers that go to the Burswood Limited board are also intended to go to the Crown Resorts board.

MS CAHILL: Must the board of Burswood Limited report into CRL board in respect of the decisions it makes?

30 MR McCANN: Yes, that's the expectation.

MS CAHILL: Is the idea in that regard that Burswood Limited, its board, is accountable to the CRL board for the oversight and management and control of Crown Perth?

35 MR McCANN: No. The Burswood Limited board must consider all issues put to the Burswood Limited board and make decisions in its own right, in the best interests of Burswood Limited. It then does report into the Crown Resorts board to inform the Crown Resorts board of those decisions.

40 MS CAHILL: So it's for information only?

45 MR McCANN: It is, except --- I might just clarify that. Clearly as a public company, with a wholly owned subsidiary, in aspects such as the financial statements, of course, Crown Resorts board is ultimately accountable for signing off on those financial statements, which would include the financial statements of its subsidiaries.

MS CAHILL: Now, at page 5383, section 5.1, under the heading "Management of

the Business of the Company", have a look at the second and third paragraphs. Is the concept and intention that is sought to be conveyed here that although the board of Burswood Limited has independent and complete governance oversight for the  
5 operation of Crown Perth, it is nevertheless expected to work in close cooperation with CRL?

MR McCANN: That is the expectation, yes.

10 MS CAHILL: If we go down to section 5.3 on the same page, the first sentence:

Insofar as the Directors are exercising the delegated authority .....

Et cetera. The question is this: delegated authority from whom?

15

MR McCANN: That's a very good question. I'm looking at those words, and I'm not sure those words necessarily reflect exactly how the Burswood constitution --- Burswood Limited constitution works, so we need to make sure that they do. But the intention is that insofar as the directors are exercising --- I think if you took out the  
20 words "the delegated authority" and just said "responsibility for the governance and oversight", I think you would achieve the outcome we are trying to achieve, perhaps. So just bearing in mind this is in draft form, so it hasn't been discussed at the Burswood Limited board level yet, so the final words may be slightly different to that.

25

MS CAHILL: I thought you were saying a moment ago in relation to the constitution, there were some elements of it that devolved authority directly upon the Burswood Limited board, and then separately through the corporate structure, there might be authority that's delegated down from CRL?

30

MR McCANN: No. What I was actually saying is that the way that I read the Burswood Limited constitution, there are a range of responsibilities that are effectively --- I don't know what the right word is --- but delegated upwards to the Crown Resorts board that require, then, approval of the Crown Resorts board. But if  
35 they are not specified to require specific approval of the Crown Resorts board, then they do not.

MS CAHILL: Section 5.4, can I ask you this question, at the bottom of page 5383, that first bullet point at the bottom of 5383:

40

The BL Board is responsible for overseeing the risk compliance and overall *governance culture of Crown Perth*.

That's intended to convey exclusive and comprehensive governance culture of Crown  
45 Perth, nobody else, apart from Burswood Limited board has that governance responsibility. Is that what lies behind that first bullet point?

MR McCANN: In the sense of, yes, we discussed the decentralised governance and

control, but I would say that certainly the Crown Resorts board would all hold themselves account and responsible for the appropriate culture across the whole organisation, and we expect the Crown Perth culture to be consistent with the  
5 broader culture of the whole organisation.

MS CAHILL: If we go to the next page, 5384, I'm going to nominate the ninth bullet point, which is probably a little hard to find, given that the bullet points span over two pages. If we just come down to --- yes, thank you, very helpfully the operator  
10 has highlighted the responsibility that's itemised there, for the board to appoint and remove the CEO subject to the approval and nomination of CRL.

Now, that responsibility, how does that interact with what you say is the position at paragraph 21 of your witness statement and that you explained to me a moment ago  
15 that the CEO of Crown Perth reports to you and that you can hire/fire the CEO of Crown Perth?

MR McCANN: Well, as with any public company, I think if I as the CEO took a decision to hire or fire the CEO of Crown Perth or another major subsidiary without  
20 discussing that with the board, that would be probably a foolhardy thing to do. I don't think that is the way things happen in practice. So there would be a discussion with the Crown Resorts board, and they would approve that recommendation. I would expect that, if that recommendation was made on a sound basis, it would be approved.

25 MS CAHILL: So do you consider that you have, independently of what is good practice, the power to hire and fire the CEO of Crown Perth without reference to the BL board?

30 MR McCANN: It is part of my job description to be able to hire and fire key people, and that's a typical role of the CEO. But you've asked the question, putting aside practice or good practice, can I do that? Yes, I believe I can do that.

MS CAHILL: From whom do you have delegated authority to do that?  
35

MR McCANN: From the Crown Resorts board.

MS CAHILL: And how does that work, if the Burswood Limited board has exclusive governance oversight over Crown Perth?  
40

MR McCANN: Because the Burswood Limited board does nevertheless consider and make decisions in its own right as a fully functioning board. If I hire or fire other members of the Crown Perth management team, that of itself also would not contradict the role of Burswood Limited in governing Crown Perth.  
45

MS CAHILL: So the next bullet point on this page, a similar responsibility, subject to the approval of CRL, the Burswood Limited limited board appoints its own directors. Is that what is intended?

MR McCANN: That is what is intended, yes.

5 MS CAHILL: Is that what's actually happened in relation to the most recent appointments of you and Mr Carter?

MR McCANN: Those appointments need to be considered and agreed by the Burswood Limited board. They were recommended by Crown Resorts.

10 MS CAHILL: Right. But it was actually Burswood Limited board who appointed you on 23 August?

MR McCANN: That's my understanding. It was a Burswood Limited resolution.

15 MS CAHILL: Mr Carter was appointed when?

MR McCANN: I can't recall. I think he may, in fact, be still subject to regulatory approval. His appointment may be still subject to regulatory approval.

20 MS CAHILL: But has there been a formal appointment through company processes?

MR McCANN: I believe there has, yes. A resolution has been passed which states that he's appointed subject to regulatory approval.

25 MS CAHILL: And who passed that resolution?

MR McCANN: I'm not sure I can answer that with certainty, but I'm assuming it was the Burswood Limited board resolution.

30 MS CAHILL: If we go to page 5385, please, and look at section 6.1. This is the distinction you were making before, wasn't it, that separate from a decentralised governance structure, what this draft charter contemplates and conceptualized is a centralised management structure; is that right?

35 MR McCANN: In relation to some functions, yes.

MS CAHILL: Yes, specific subject matter areas.

40 MR McCANN: Yes, where we think that they'd be enhanced by global approaches, as stated.

45 MS CAHILL: So if the Burswood Limited board has governance oversight in a decentralised way in respect of Crown Perth, that suggests, doesn't it, that the centralised management function would have to be in respect of management matters to do with Crown Perth ultimately responsible and answerable to the board of Burswood Limited and not CRL; would you agree?

MR McCANN: Yes, unless they specified as requiring Crown Resorts approval.

MS CAHILL: Is that how the structure works presently?

5

MR McCANN: Yes, broadly speaking.

MS CAHILL: That, for example, in relation to AML or financial crime risk, Steve Blackburn is answerable to the Burswood Limited board and not CRL in respect of financial crime risk at Crown Perth?

10

MR McCANN: So Steve Blackburn is a centralised role. He reports to me, and he is accountable and responsible to the Burswood Limited board in relation to aspects of AML and financial crime that relate to Perth. He reports to that board, and those reports to the Burswood Limited board are then also made available to the Crown Resorts board as part of Steve's reporting line to that board.

15

MS CAHILL: Yes, but that's just a reporting function, isn't it, as I think you explained before; what the CRL board could not do is countermand any direction given by the Burswood Limited board to Mr Blackburn in relation to the identification and management of financial crime risk at Crown Perth?

20

MR McCANN: That's correct. I think as a practical matter there's complete alignment on how we would manage our approach to financial crime across the three resorts, and that's the intention of having a centralised structure in relation to those group functions. So, in practice, there is no conflict.

25

MS CAHILL: The way in which I have just put it to you, and you've responded positively about the governance oversight the Burswood Limited board has in respect of the centralised management function, is that articulated in writing anywhere, when, and the extent to which, centralised management roles are answerable exclusively to the Burswood Limited board and not the CRL board?

30

MR McCANN: I'm not sure that that is specifically articulated in the way that you've described it. I think it's a combination of governance documents that need to be referred to, including the Burswood Limited constitution and, going forward, this charter, once it's been formalised.

35

MS CAHILL: It would be something that ought be articulated in this charter explicitly, shouldn't it?

40

MR McCANN: We have certainly in the draft attempted to make clear what the roles are that are managed in a group function versus roles that are managed in a localised function in Perth. So that's certainly what we are attempting to do.

45

MS CAHILL: Yes, but the additional point is this, isn't it: When may and when must the Burswood Limited board direct central management in relation to its function and take responsibility for it as well?



MR McCANN: This is a complex area, so if I misdescribe it, then hopefully that's not in a material way. As I have said earlier, the way that I read the Burswood Limited constitution, it's not in fact necessary for us to specify what areas Burswood Limited has control over because if it is not specified, then it's taken that it does have control, and that's because of the historical way this has all evolved.

Burswood Limited was a public company, and it's a public company constitution. That constitution embodies some of the regulations that it's required to embody, and changes to that constitution can't be made without ministerial approval.

I think once we have finalised the corporate structure, the management structure, the governance structure and the charter, and once we have had regard to the outcomes of this Commission, then it may well be that we need to update the Burswood Limited constitution, but that would require ministerial approval. But it is a document that's somewhat out-dated in the context that it's drafted as a public company document. That's why those powers flow the way they do to a large extent.

MS CAHILL: There's a practical element to governance, you would agree?

MR McCANN: Yes.

MS CAHILL: And, from a practical perspective, if you have the board of Burswood Limited sitting in meetings with an issue perhaps about financial crime risk with which it has to deal, and the question is does the board direct Mr Blackburn or does it refer the matter to the CRL board or to you in your capacity as CEO of CRL to direct Mr Blackburn, the board in practical terms needs to understand what the metes and bounds of its governance role is; you would agree?

MR McCANN: Correct. And I believe it does. I think the Burswood Limited board would direct Mr Blackburn without having to go to the Crown Resorts board for approval.

MS CAHILL: But there might be areas of grey where it's not quite clear whether it's a Crown Perth issue or whether it's a group issue; you would accept that?

MR McCANN: I think if there are grey areas in relation to financial crime, I would hope they are very few and far between.

MS CAHILL: Moving to the constitution --- sorry, I put that badly, the composition of the Burswood Limited board, Mr McCann, what's your view on the number of directors of that board that should be independent of CRL?

MR McCANN: The way that we are currently contemplating that under the charter is that a minimum of one independent director, independent of CRL, is required, and the minimum total board number is three.

MS CAHILL: What's the rationale for only one of the three to be independent of CRL?

5 MR McCANN: We are, as I said earlier, certainly intending to have regard to the outcomes of this Commission in finalising the constitution of the board. We think that that size board is a good-sized board for present purposes. And in that context we think one independent director, independent of Crown Resorts, makes sense.

10 MS CAHILL: If I can take you back to page 5381 where the section dealing with the composition of the board is discussed in the charter, one sees at 4.1(e) at the bottom at least one of the Directors has to be an independent non-exec director of CRL. Then over the page, at least one director must be the CEO and managing director, or equivalent --- so that's you.

15

MR McCANN: Yes.

MS CAHILL: Do you say the intention is that there is a further stipulation that's intended that there also be at least one director that's independent of CRL?

20

MR McCANN: It's not a stipulated requirement. That's our intention.

MS CAHILL: I see. Ought it be a stipulated requirement?

25 MR McCANN: Again, I think we need to consider all of the outcomes of this Commission before we finalise the composition of the board and the governance documents that might need to be changed to accommodate any of those outcomes.

30 MS CAHILL: Do you accept it would aid that concept of decentralisation to have a director who is independent of CRL?

MR McCANN: Yes, we think having an independent --- a director who's independent of CRL would add to that decentralised governance, definitely.

35 MS CAHILL: And what is your view on the importance or not of having directors on the Burswood Limited board that are locally based, by which I mean resident in Perth.

40 MR McCANN: I think that's also a relevant consideration. I think it's quite important, in fact, because obviously they will have more local knowledge of the local environment, potentially understanding of the different business relationships that will affect performance of our business.

45 MS CAHILL: What do you mean by that, knowledge of business relationships that might affect your performance?

MR McCANN: Well, whilst Perth, Melbourne and Sydney are all part of a group Crown business, and we expect consistency of cultures, there are nuances in the way

that they operate, and obviously there are local regulations as well that impact Perth that are different to Melbourne and different to Sydney. So local knowledge of how all of that works would be a useful addition to the board.

5

MS CAHILL: So you mean the regulatory environment rather than business relationships?

10 MR McCANN: And business relationships. I think, from our perspective, we need to market Crown Perth in a way that maximises the performance of that asset, generates tourism revenue, generates performance and is conducted in a responsible manner in line with the expectations of the local community, and having a local director would assist in that.

15 MS CAHILL: What about the importance of having a local director who has some understanding of the social context of the casino operation relevant most directly to the social licence that the casino operator has?

20 MR McCANN: I agree one hundred per cent, and that's what I was referring to when I said the local community.

MS CAHILL: Ought it be stipulated, therefore, in the charter that there be at least one local director?

25 MR McCANN: I think that it's something that could be considered, yes.

30 MS CAHILL: Paragraph 24 of your witness statement, you give evidence to the effect that there are no plans presently to increase the number of directors on the Burswood Limited board beyond Mr Carter, Ms Fewster and yourself, and that is the case, is it?

35 MR McCANN: That's the present intention, but, again, as I have said, we do want to have regard to recommendations that may be made by this Commission, so we are open to increasing the size of the board, but for present purposes, we think it's adequate.

MS CAHILL: You said you had discussions with Mr Carter, I think, previously about Mr Bossi leaving the board?

40 MR McCANN: Yes.

MS CAHILL: And you spoke with Ms Fewster about that last Saturday?

45 MR McCANN: Saturday just gone, yes.

MS CAHILL: And you did so as a reaction to questions Mr Bossi was asked by Ms Fewster's counsel when he was giving evidence the previous day, the Friday, to the effect that Ms Fewster had not been advised of discussions between you and

Mr Carter about Mr Bossi's role; is that right?

MR McCANN: No, that's not right.

5

MS CAHILL: Well, you had had a discussion with Mr Bossi about his departure from the board before discussing it with Ms Fewster; is that right?

MR McCANN: No, that's not right.

10

MS CAHILL: Well, you tell me what happened.

MR McCANN: The discussions that I had on Saturday with Ms Fewster were in response to Ms Fewster inquiring about Lonnie's well-being post his presentation on the Friday. So we had a broad discussion around a range of things, and obviously as part of that discussion, we did discuss Lonnie's future in Perth and his role on the board and the decision for him to come off of the board. But it was prompted by Ms Fewster reaching out to me to have a discussion more broadly about Lonnie's well-being post the Royal Commission --- post his hearing on Friday.

15  
20

In relation to discussions with Mr Bossi, I have discussed with Mr Bossi on a number of occasions the composition of the Perth board, but I have not --- I did not until after his evidence have a direct discussion about him coming off the board. I believe Mr Carter did, but I don't believe I specifically mentioned that to Mr Bossi.

25

MS CAHILL: All right, thank you.

MR McCANN: Prior to Saturday.

MS CAHILL: At paragraph 23 of your witness statement, you say you've not been involved in any discussions about altering the structure of the Crown Perth entities. Are you aware of any discussions taking place on that topic without your involvement?

30

MR McCANN: No, I'm not.

35

MS CAHILL: But you obviously have informed yourself about the Crown Perth structure sufficiently to know about the trust structure and which Burswood entity plays which role in relation to that structure?

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MR McCANN: Broadly, yes.

MS CAHILL: You don't disagree that if the Crown Perth entities and that trust structure is not rationalised or changed, that the Crown Perth operation will need to be operated in accordance with the terms of the trust deed?

45

MR McCANN: So, again --- and, as I said, I'm broadly aware of it, I have had regard to the trust deed and the corporate structure, but the way I simplify this is that there is

an historic structure that came about because historically the property trust was managed separately, in the typical construction that a REIT would be managed with an external manager. That is no longer relevant because Burswood Limited is now  
5 the one hundred per cent owner of those entities, and Crown Resorts is the one hundred per cent owner of Burswood Limited.

So whilst there is an historic structure which embodies a trust deed, the reality is Burswood Limited is in charge of the governance of Crown Perth, because all of  
10 those entities are one hundred per cent owned by Burswood Limited.

MS CAHILL: But if the Burswood Limited board has independent governance oversight of the operation, Perth Casino operation, why would it not adhere to the trust structure that effectively governs in a legal setting how the Perth Casino  
15 operation is set up?

MR McCANN: Put simply --- and this is not intended to be a legal description of the ownership structure, but a commercial pragmatic description of what takes place --- the Burswood management is owned by Burswood Limited. Burswood Nominees is  
20 the licensee owned by Burswood Limited. The beneficiary of the trust is Burswood Limited, and, therefore, all decisions and governance as relate to the Perth Casino ultimately vest with Burswood Limited. So, from the perspective of a director of Burswood Limited, a working knowledge of the historical relationships is relevant, but it's not material in the context of making day-to-day decisions as they impact  
25 Burswood Limited, because it's the wholly --- it owns those subsidiaries.

MS CAHILL: Can I take you to paragraph 28 of your witness statement, page 1051. This is where you refer to article 3.12 of the Burswood Limited constitution, and you go on to say that you believe Crown presently complies with that requirement.  
30

MR McCANN: Yes.

MS CAHILL: Is that for reasons that you explain at paragraph 21, which is at page 1050. I just ask the operator to show you that. Is that effectively your rationale or  
35 understanding of why you say that article 3.12 is currently complied with?

MR McCANN: Effectively, yes, because it requires central management control to be based in Perth, and Burswood Limited is based in Perth; the board meetings are held in Perth, and it is a board that operates effectively making decisions in the best  
40 interests of Burswood Limited.

MS CAHILL: Why do you say central management of Burswood Limited is exercised in Perth?

MR McCANN: So, again, central management and control, I believe, is the definition of Burswood Limited head office under the regulations, and it is as I think I have just described it.  
45

MS CAHILL: But isn't the management of Burswood Limited split between the local management function and the centralised management function?

5 MR McCANN: So this is a legal definition of central management and control that the regulations require, which is that Burswood Limited does operate as a board, a fully constituted board operating in its own right and making decisions in the best interests of Burswood Limited. The day-to-day operations and management of the resort, I would categorise as something different to that, but that's not head office  
10 central management and control.

MS CAHILL: Do you have any view about whether the governance role that you've described that Burswood Limited has, in relation to the operation of the Perth Casino, should more properly rest with the board of Burswood Nominees Limited on the  
15 basis that that's the entity that actually holds the casino licence?

MR McCANN: I understand that Burswood Limited is an approved company, and, therefore, as the owner of Burswood Limited, I think it makes sense that central management control vests with Burswood Limited. It would seem odd if it was not.  
20

MS CAHILL: Well, it wouldn't be odd, would it, to contemplate that Burswood Nominees, as the licence holder, is the one that owes the licence obligations to the State of Western Australia, not Burswood Limited; therefore, governance of the operation of that licence ought rest more directly with Burswood Nominees. What  
25 do you say in response to that proposition?

MR McCANN: I understand the point, but Burswood Limited is the one hundred per cent owner of Burswood Nominees. So ultimately it controls Burswood Nominees.

30 MS CAHILL: Paragraph 30, page 1050 of your witness statement, this is where you address clause 22.1 of the Melbourne Casino Agreement, and I can show you the clause if you wish, and you should just let me know if you would like to see it, but I'm referring here particularly to clause 22.1 (ra)(iii) of the Melbourne Casino Agreement where Crown Casino Limited has promised to ensure that Crown Resorts  
35 or CRL maintains the Melbourne casino as the flagship casino of Crown Resort's gaming business in Australia.

Now, I understand from paragraph 30 of your witness statement that you take that clause to mean that Melbourne casino must be maintained as larger or more  
40 prominent than Perth Casino; is that right?

MR McCANN: The exact wording, I believe, in the regulations refers to flagship resort, and it refers to the pre-eminent commission-based resort. So they are the requirements of the regulations in Victoria.  
45

MS CAHILL: Yes, and what I'm asking you is, having regard to your explanation here at 30, which the operator has emphasised for you, you take that clause about the

flagship to mean that Melbourne casino must be maintained as larger or more prominent than Perth Casino; is that right?

5 MR McCANN: I think, yes, that's a fair interpretation of what I'm saying. Flagship, in my mind, would see us with Melbourne casino most likely to be the largest and more --- most prominent. It would mean other things. It could be if you have a --- for example, one six-star resort in one location and two three-star resorts in another location. Some might argue that the six-star resort is the flagship, even though it's  
10 not larger. But that's how I have interpreted the requirements.

MS CAHILL: Have you ever turned your mind to whether, as you have just, I think, alluded to, "flagship" could mean not just size or prominence, but also have to do with the quality or depth of the customer experience that the casino offers?  
15

MR McCANN: I think that would be a reasonable factor to take into account. It's one of the relevant factors, yes.

MS CAHILL: Therefore, do you understand that, under that Melbourne casino agreement, Perth Casino can never offer a superior quality or depth of experience to casino patrons than is offered in Melbourne?  
20

MR McCANN: I wouldn't say never. It's unlikely, I would suggest, but I wouldn't say never. Not impossible.  
25

MS CAHILL: Unlikely, that the Perth Casino will ever be of a superior quality to the Melbourne casino, irrespective of its size; is that right?

MR McCANN: I'm not saying that. I'm saying that it's unlikely that in the context of what the flagship resort for Crown would be, that Perth would be regarded as the flagship resort, in contradiction to this requirement. As far as the customer experience is concerned, it has certainly been a vastly superior customer experience in Perth in recent months because Crown Melbourne hasn't been open.  
30

MS CAHILL: You consider that the licensee Burswood Limited has, in a general sense, an obligation to operate the casino licence it has in the interests of and for the benefit of the Western Australian community that has granted it the licence?  
35

MR McCANN: Yes.  
40

MS CAHILL: Would that not include operating it so as to maximise the economic and social benefit to the Western Australian community?

MR McCANN: Yes.  
45

MS CAHILL: Do you see that obligation conflicting with what I will call loosely the flagship obligation under the Melbourne casino agreement?

MR McCANN: Not at all. I can explain my perspective on that.

MS CAHILL: Go ahead.

5

MR McCANN: So really it comes down to three key things: And they are best practice, the network effect and scale. So in terms of best practice, having a group structure with the scale that we have, able to attract the most skillful resources that we can at a group level, should enable us to provide superior governance and management and superior outcomes.

10

The network effect, which is really generated by scale, is fairly well understood, in terms of, you know, utilisation, driving better outcomes and the marginal improvement for every additional customer that you have in that context, and when you consider both of those issues and then you consider Crown Perth and what has happened since the acquisition of Crown Perth by Crown Resorts, there's been over \$1.5 billion invested in the resort, which has delivered a vastly superior resort than what existed prior to Crown ownership, and the return on investment required to justify that kind of investment could only be achieved through the scale benefits of a group the size of Crown.

15

20

So, in my view, it's very clearly consistent with the best interests of driving the best outcomes for Perth and generation of tourism revenue and generation of State gaming revenue as well. I don't think it could have achieved that without the scale ownership that Crown Resorts brings.

25

MS CAHILL: Can I come to your role now as CEO of CRL, rather than your role as director of Burswood Limited. In that role as CEO, you have management oversight and responsibility for the Perth Casino operations, don't you?

30

MR McCANN: I have management oversight, yes, in that the CEO of Crown Perth reports to me.

MS CAHILL: Is that how, in practical terms, you exercise and discharge that oversight and responsibility function? He reports to you, and you give him direction or not as you see fit in relation to what he reports to you about?

35

MR McCANN: He reports to me. We are in frequent communication, and I am provided by Mr Bossi with a very transparent overview of what takes place in Perth on a very frequent basis.

40

MS CAHILL: Just to be clear so that there's no confusion, harking back to that governance discussion in the questions I asked you a moment ago, you give him directions subject to the overall governance by the Burswood Limited board?

45

MR McCANN: That's right, yes.

MS CAHILL: Do you have confidence in Mr Bossi as the CEO of Crown Perth,



Mr McCann?

MR McCANN: Yes, I do.

5

MS CAHILL: Do you consider he has the skills and competence to effectively carry out that role?

MR McCANN: Yes, I do. He's a very experienced manager of an integrated resort.

10

MS CAHILL: Do you consider that he has qualities of character necessary to lead the Perth Casino operation?

MR McCANN: Since my arrival at Crown, I have had nothing short of a very transparent, open relationship with Mr Bossi. He keeps me very well informed of what's going on. I have no reason to doubt his judgment or integrity.

15

MS CAHILL: Do you consider he has the skills and qualities of character to drive the necessary cultural change at Perth Casino?

20

MR McCANN: I believe that he will play an important part in that. It's not something that one person can achieve alone. It's a big job, but he will be an important part of that, is my expectation.

25

MS CAHILL: Do you consider it appropriate to retain Mr Bossi in a key executive position, given that he held a senior executive position at Perth Casino in which he oversaw and shared responsibility for the previous unsatisfactory culture?

MR McCANN: As I have said, I do think that Mr Bossi is a very experienced, capable executive, and I believe we have a very open and transparent relationship. In the event that anything emerged that cast doubt on Mr Bossi's ability to continue as the CEO, whether that's because of past practices or future practices, for that matter, then we would look into that very closely and carefully and make an appropriate decision as to Lonnie's role.

30

MS CAHILL: Isn't there just a more general issue to be dealt with, which is that Mr Bossi was in a very senior position at Crown Perth for a very long time when the issues that are now the subject of scrutiny by this Commission and other inquiries were going on? Is that a concern to you that a person who has those, if you will, legacy issues continues in a very senior role in the, for want of a better description, new Crown?

35

MR McCANN: So I think Mr Bossi has, in his own evidence, on more than one occasion admitted to mistakes in the past and admitted to regrets in not doing some things differently. What it certainly does justify, that history that you've outlined certainly does justify, is for me to have the appropriate conversations with Mr Bossi about some of those past incidents and his reflection on those and his perspective.

40

45

I've done that, and Mr Bossi has explained to me some of the issues that have been raised. I don't think that it's fair to hold Mr Bossi solely accountable for decisions which he may have had input into but was not in control of, and I'm aware from my  
5 discussions with Mr Bossi that some the decisions that were made in the management of Crown Perth were not decisions he would have made if he were the CEO at the time.

10 MS CAHILL: Can I ask you now about risk management. You have no experience, or you had no experience prior to joining CRL ---

MR McCANN: Sorry, I couldn't hear that with the paper.

15 MS CAHILL: Prior to joining CRL, you had no prior management experience in respect of casino operations?

MR McCANN: That's correct.

20 MS CAHILL: And it's fair to say, therefore, that you had no and have no experienced-based insight into or understanding of the particular risks associated with casino operations?

MR McCANN: That's correct.

25 MS CAHILL: You do, however, have experience from a systems and processes perspective in overseeing and managing the development and implementation of a risk management system across a large organisation, don't you?

30 MR McCANN: Yes, I do.

MS CAHILL: You are intimately involved in doing that at CRL now, aren't you?

MR McCANN: Yes, I am.

35 MS CAHILL: But from a governance point of view, in terms of your membership of the risk management committee and also in terms of your executive role as CEO; is that right?

40 MR McCANN: That's right. The chief risk officer reports to me.

MS CAHILL: The CRL risk management framework is comprised principally of the CRL risk management policy and the CRL risk management strategy; is that right?

45 MR McCANN: Yes.

MS CAHILL: And those documents are presently dated around March/April of this year, in their latest iteration; is that right?

02:15PM

MR McCANN: That's right.

5 MS CAHILL: And those are not documents that you obviously had direct input into at the time because they preceded your appointment?

MR McCANN: That's correct, yes.

10 MS CAHILL: You have seen the report by the independent monitor appointed by ILGA, its latest update report dated 22 September 2021.

MR McCANN: Appointed by ILGA?

15 MS CAHILL: Yes, sorry, the KROLL report, the independent report?

MR McCANN: KROLL report, yes, yes.

20 MS CAHILL: Can I just take you to that. I'm not sure whether it's the subject of an application, but I just ask that it be put not on the public screen, CRW.709.162.4600, and at page 4632 the monitor made some comments on Crown's risk management documents. You can see down there at the bottom item 27?

MR McCANN: Yes, I can.

25 MS CAHILL: This is at 22 September, in the right-hand column under that column, "Required for phase 2 of the monitorship". It's identifying further enhancements to the policies and procedures that have to be completed by 31 desks, and that includes the risk management strategy. That's not been updated yet?

30 MR McCANN: That is work that is underway, and, in fact, we have recently added someone to our team to assist with closing that out by 31 December. Her name's Amy Gleeson, formerly the chief risk officer at Westpac consumer division.

35 MS CAHILL: The risk appetite statement also has to be amended?

40 MR McCANN: The way that our current documents work, and as you rightly point out, I wasn't here when they were put in place, our risk appetite statement is a subset of that risk management strategy. Recommendations of independent experts often request or suggest that they are two separate documents, and we may well end up with two separate documents.

MS CAHILL: All right. But not change the substance of the appetite statement?

45 MR McCANN: We need to reflect and make sure it's appropriate. That will be part of that process.

MS CAHILL: If we go over the page, there is reference to a risk and compliance cultural framework. Has that been prepared?

MR McCANN: That cultural framework is a subset of our broader cultural reform, and, yes, that has been prepared, or certainly in an advanced state of preparing.

5 MS CAHILL: And the remuneration and performance processes linked to risk management?

MR McCANN: So that is --- yes, sorry.

10 MS CAHILL: Sorry, that's something that's work in train, is it?

MR McCANN: It is. So there is an overhaul of our performance-based remuneration framework currently under way. It's being discussed at the Crown Resorts board level, continues to be work in progress, but it will include hurdles in relation to values and culture, and it will include non-financial-based KPIs, including in relation to risk management.

MS CAHILL: What is the time line for completion of these enhancements, Mr McCann?

20

MR McCANN: The target was 31 October. We are probably a little bit behind. On my expectation, by mid-November.

MS CAHILL: Thank you. Can I come back to the current risk management strategy, which is CRW.512.041.0055. I want to ask you about the three lines of defence model, which is expressed in diagrammatic form at 0061. That first line of defence, which is devolving responsibility for identifying and managing risks at operational level, in terms of Perth Casino, that means the Crown Perth's CEO and other senior executives of Crown Perth, does it?

30

MR McCANN: Yes.

MS CAHILL: If we go to the organisational chart, the most recent one for October 2021, CRW.701.009.5021, the first line of defence rests primarily with Mr Bossi and then that first line of executives sitting immediately underneath him?

35

MR McCANN: I think that would be right, just looking at this chart. Though there his senior direct reports --- so, I think, yes, broadly speaking, that would be right.

MS CAHILL: The job of these executives in the first line of defence is to take the CRL board's risk appetite and the group risk management framework and implemented at a local level, is that the case?

40

MR McCANN: Yes.

45

MS CAHILL: Does the Burswood Limited board have its own risk appetite?

MR McCANN: The Burswood Limited board has been presented, my understanding. The risk management strategy that is has been signed off by the Crown Resorts board and has also been approved by the Burswood Limited board.  
5 That's my understanding.

MS CAHILL: So as far as you're aware, the Burswood Limited board has effectively adopted the framework of CRL, including the risk appetite?

10 MR McCANN: Yes.

MS CAHILL: Now, just returning to that strategy document, CRW.512.041.0055, we come back to that diagram of the three lines of defence at 0061. There on the left-hand side, that's essentially an oversight function, isn't it, as well as a support  
15 function?

MR McCANN: That's right.

MS CAHILL: The idea is that it's intended to be independent of the first line of  
20 defence, isn't it?

MR McCANN: Yes.

MS CAHILL: If we go to page 0065, and we look down the bottom, that second line  
25 of defence is explicated in narrative form there, and you can see from the first paragraph that that concept of independence is made clear?

MR McCANN: Yes.

30 MS CAHILL: If it also has a support function, does it have a training function as well, the second line of defence?

MR McCANN: It --- well, yes, in the sense that the risk management team, under Anne Siegers, helps to establish the risk training modules and also has input --- in  
35 fact, is the driver --- of the risk culture framework that we discussed before.

MS CAHILL: All right. But that support and training, part and parcel with the oversight function, the challenging and holding the first line of defence to account, is all done --- there is no overlap; it's quite separate from the first line of defence?  
40

MR McCANN: Yes, although I'm not entirely sure when you talk about training what you are referring to, but there are clearly, for example, standard operating procedures within the casino. Those operating procedures are carried out, obviously, by day-to-day operations and people are trained in those procedures.  
45

The second line of defence provides an assurance function, so it oversees the performance of those operating procedures. So both the first line and the second line need to be trained in those.

MS CAHILL: If we go back to that organisational chart, CRW.701.009.5021, the second line of defence is a group management position; is that right?

5 MR McCANN: Yes, it is.

MS CAHILL: So if we go back to that organisational chart and look at the group roles at page 5022, so we are at CRW.701.009.5021, and we go over to the group roles page, can you point out to the Commissioners where the second line of defence  
10 sits?

MR McCANN: So Anne Siegers is the chief risk officer, so the second box from the left, and she's in charge of that second line of defence role.

15 MS CAHILL: And are there any second line of defence people who are actually based in Perth?

MR McCANN: Yes, there are.

20 MS CAHILL: And they answer to Anne Siegers, do they?

MR McCANN: That's right, yes.

MS CAHILL: I see. But that second line of defence in relation to Crown Perth risk  
25 management is ultimately answerable to the Burswood Limited board and the Burswood Limited board alone?

MR McCANN: That's correct, although as I have said earlier, there's an aligned requirement. So what Anne does in her role and what the second line of defence  
30 does in their role is very much aligned between Crown Resorts and Burswood Limited. They are one in the same.

MS CAHILL: If we come back to that strategy document --- again, I'm making the poor operator jump from document to document --- that's CRW.512.041.0055 at  
35 page 0061, and we see there on the right-hand side the third line of defence, that assurance and testing function as to the effectiveness of the risk management system is essentially what that third line of defence is all about, yes?

MR McCANN: That's right.

40

MS CAHILL: And it is necessarily and quite distinctly independent of the first and second lines of defence; do you agree?

MR McCANN: Yes.

45

MS CAHILL: Are there third line of defence people who are based in Perth?

02:26PM

MR McCANN: Yes, there are.

5 MS CAHILL: And if we go to the organisational chart, CRW.701.009.5021, at page 5022, where does is the third line of defence represented on this document?

MR McCANN: So down the left-hand side, the second box from the bottom, is just -  
--

10 MS CAHILL: Ms Ottner?

MR McCANN: Yes, Ms Ottner.

MS CAHILL: So she would have internal officers based in Perth who report to her?  
15

MR McCANN: Yes.

MS CAHILL: And, again, ultimately the internal audit or third line of defence function answers exclusively to the Burswood Limited board?  
20

MR McCANN: That's right.

MS CAHILL: Commissioner, that's a convenient time.

25 COMMISSIONER OWEN: All right. Mr McCann, we'll take a break for 15 minutes, and we'll come back, so it will be, I think, 5.30 your time --- no, 5.45, sorry. Is that convenient?

MR McCANN: Yes, thanks, Commissioner.  
30

**ADJOURNED**

**[2.27PM] RESUMED  
[2.45PM]**

35 COMMISSIONER OWEN: Please be seated. Thank you, Mr McCann. Ms Cahill.

MS CAHILL: Commissioner.

40 Are you ready to go, Mr McCann?

MR McCANN: Yes, I'm ready to go, thank you.

45 MS CAHILL: Where we were before the break, I was asking you questions about the three lines of defence for the risk management system that Crown now has and who populated each line of defence. I want to ask you now about the Crown Perth

ERCC. You're aware of that committee, are you?

MR McCANN: Yes, I am.

5

MS CAHILL: And its most recent charter, or the most recent one that this Commission can ascertain --- I will show it to you --- CRW.700.094.0323, dated July 2021.

10 MR McCANN: Yes, I see that.

MS CAHILL: Has that charter been approved by the CRL risk management committee?

15 MR McCANN: I don't believe so, no.

MS CAHILL: Do you know if it's been approved by the Burswood Limited board?

MR McCANN: If it was, it was prior to my arrival.

20

MS CAHILL: Now, if we go to page --- sorry, if we stay on 323, you'll see the membership there at the bottom of the committee.

MR McCANN: Yes.

25

MS CAHILL: You've got the CEO of Crown Perth as well as the group chief compliance and financial crime officer. That's Mr Blackburn, is it?

MR McCANN: Yes, it is.

30

MS CAHILL: And you can see if you go down the list, a blend of group and Crown Perth senior executive roles?

MR McCANN: Yes.

35

MS CAHILL: And if we go back up to the top of page 323, under the heading "Purpose", the committee is there to assist the CEO of Crown Perth and the board of Burswood Limited, fairly clear that's what it means when you read on, to do the things in the numbered paragraphs below, which includes providing oversight. Do you see that numbered paragraph 1?

40

MR McCANN: Yes.

MS CAHILL: For the identification and evaluation of material risks. My question is this: Is the ERCC part of the group framework policy and strategy?

45

MR McCANN: No, it's not.



MS CAHILL: And does it form any part of the first line of defence or the second line of defence?

5 MR McCANN: My understanding of the ERCC is that it is an operational committee, and the purpose is as described there, to assist in identifying material risks that then need to be escalated. If they are escalated, they would be escalated through the second line of defence to the Burswood Limited board.

10 MS CAHILL: Does the ERCC form part of the first line of defence?

MR McCANN: I think, as you can see from the membership, there is a combination of first, second and third line in that membership.

15 MS CAHILL: So how does it fit within the group's risk management framework?

MR McCANN: As I said, I think it is a --- it's a management committee, so it is set up for the purpose of those various committee members to discuss and evaluate risks and determine which risks need to be escalated. I think the combination of first,  
20 second and third line membership is not an unusual combination.

So in most organisations, for example --- certainly in my experience at least --- we used to run a number of peer reviews where peer reviews would review the work of some of their colleagues. They might be both first line; some might be first; some  
25 might be second. There was a regular practice, and I think that the function of this committee is not unlike that.

MS CAHILL: But does it also review the third line of defence?

30 MR McCANN: It doesn't review the third line of defence, but it has membership from Jessica Ottner, representing the third line of defence.

MS CAHILL: So you have your three lines of defence for risk management. Is the idea of the ERCC that it sits outside of that and is just another broad-based, multi-  
35 faceted check on the first two lines of defence?

MR McCANN: I don't think it has a function of checking on the first two lines of defence. I think its function is to identify and discuss the relevant issues that are part of the risk framework, and then to the extent that they are identified as material risks  
40 that should be escalated, they are escalated. There is an ERCC for each of the three resorts, and they all provide that same function.

MS CAHILL: Well, if you come back to the first three numbered paragraphs under the "Purpose" heading for the ERCC, it's explicit, isn't it, that it has an oversight  
45 function in relation to risk identification and management at Crown Perth?

MR McCANN: Yes, that is explicit.

MS CAHILL: The second line of defence also has an oversight function?

MR McCANN: Yes

5

MS CAHILL: And the third line of defence has an oversight function?

MR McCANN: Yes.

10 MS CAHILL: What does the ERCC do that the second or third lines of defence don't do?

MR McCANN: So the ERCC has, as I understand it --- and as I said this is something that was established before my arrival. In fact, I don't think the Perth ERCC has, in fact, met since my arrival, but the purpose of the ERCC is for the team to meet to discuss the issues that they think are worthy of discussion, around material risks, and identify those that need to be escalated. So it's not checking --- they are not checking the checkers, so to speak; they are having input.

20 So, for example, Anne Siegers in her role, or Jessica Ottner in her role would both have insights into the impact of certain risks and their materiality that would be of benefit to the first line to understand so that, when decisions are made, they are made appropriately.

25 MS CAHILL: The support and oversight function of the second line of defence does precisely the same thing, doesn't it?

MR McCANN: No. The second line --- assurance is a completely different role than management, so second line, assurance, is overseeing and is checking the first line, and the third line in turn is overseeing the second line. The first line does do, as I said before --- the term I would use is peer reviews, so they do check the work of their own colleagues, and they get input from across the group to make sure they do that to the most effect.

35 MS CAHILL: So the ERCC has a checking function, oversight function within the first defence. Is that how you would put it?

MR McCANN: It's a management committee, so it's in the first line, as a committee, so it has input from the second and third line.

40

MS CAHILL: All right. Do you think it's important for the risk management framework at group level and the ERCC charter at Perth level to be explicit about how the two intersect?

45 MR McCANN: I think that would be useful.

MS CAHILL: Can I turn to AML now, please, Mr McCann. PwC has been retained to prepare an enterprise-wide risk assessment for Crown, hasn't it, focusing

specifically on MLTF risk?

MR McCANN: That's right, yes.

5

MS CAHILL: That is due to be sent to the CRL board for approval later this year?

MR McCANN: That's correct, yes.

10

MS CAHILL: You would agree that it is vitally important to undertake an enterprise-wide risk assessment so that Crown can understand the gamut of MLTF risk that it confronts across the whole of its operations?

15

MR McCANN: Yes, that's the purpose of doing the enterprise-wide risk assessment, yes.

20

MS CAHILL: Is there an enterprise-wide risk assessment being prepared that's not confined to MLTF risk but extends to material business risks more generally across the group?

MR McCANN: Risk management strategy endeavours to do that in the context of risk, but the enterprise-wide risk assessment will also have regard to risk management as well as AML.

25

MS CAHILL: So the enterprise-wide risk assessment that PwC is undertaking is not confined to MLTF risk?

MR McCANN: That's my understanding, yes.

30

MS CAHILL: Does it include responsible gaming risk?

MR McCANN: I'm not certain that it would include responsible gaming risk specifically. I'd have to check that.

35

MS CAHILL: Coming back to AML and the remediation program that's currently on foot in relation to financial crime risk specifically, have you been able to form any view of your own about realistically when that remediation program is likely to be completed and fully implemented?

40

MR McCANN: Specifically in relation to AML, is the question?

MS CAHILL: Yes, financial crime?

45

MR McCANN: Yes. Firstly, I would say that the remediation, as I think I said in my introductory statement, will be an ongoing issue. So financial crime evolves constantly, so it's not a case of putting pens down and saying, "We are done", on AML. That said, we are, and I certainly am of the view, that with the changes that Steve Blackburn has already embedded into Crown, that we are well progressed in

our remediation. Our aspiration is to have an advanced state of AML systems by December 2022. That's our target. We are already at --- some months ago Steve's view is we were at a foundational state, and we have progressed materially from there.

5  
10 MS CAHILL: To what extent do you consider that the success of the completion of the development of the financial crime risks remediation program and its implementation is dependent on Mr Blackburn remaining with Crown?

MR McCANN: I think Mr Blackburn is, firstly, might I say, an outstanding operator, very highly regarded and a very important part of what we are doing. But as with any public company, as the CEO of that company, my role is --- a significant part of my role is to make sure that we have the very best people in the key roles, and that's certainly an objective. If Steve Blackburn was to depart Crown, we with need to ensure we had someone of his caliber in that role.

15  
20 There are sometimes key risks, but by and large, an organisation of our scale, we would be able to replace any of our key personnel that left, would be my opinion, with appropriate personnel.

MS CAHILL: Do you mean existing personnel or just the capacity to recruit externally?

25 MR McCANN: A combination. There are some very good people in Steve's team already, and I know, from Steve's own perspective, that some of those people he would see as very viable successors to his role.

30 MS CAHILL: Now, the decentralised governance structure that you described to me before the break means that the Burswood Limited board will have ultimate responsibility for the implementation --- the acceptance of the remediation program and its implementation alternate Crown Perth; is that right?

MR McCANN: Yes.

35 MS CAHILL: So is something being done to keep the Burswood Limited board apprised of how the remediation program is being developed so that it can make its own assessments about whether or not it is on board with that program?

40 MR McCANN: Yes. So at the Burswood Limited board meetings, at each meeting, there is an update provided of progress on the remediation plan and of progress also on the financial crime and compliance plan.

45 MS CAHILL: Does the remediation plan, before it's presented to the Burswood Limited board in iterative form, go through the group risk management committee for endorsement beforehand?

MR McCANN: Historical practice, I think, has been generally that the Crown resorts

boards, including their management committees, are held prior to the Burswood Limited board meeting. So that has been the order. Going forward, I think we'll be making some changes to that. We haven't finalised that, but as you can imagine, with a lot of subsidiaries and a lot of committees, there is quite a significant burden on directors in relation to their attendance at board meetings. We need to streamline that and make that more effective and efficient.

MS CAHILL: In paragraph 40 of your witness statement, page 1053, you say that the shape of Crown's future VIP business has not yet been determined but that Crown is in the process of developing a per annum for this part of the business. Do you mean by that that Crown would seek to engage in VIP International Business in the future if it were permitted by regulators to do so?

MR McCANN: I think the --- it's a point of terminology, so I just want to be careful how I respond to that question. The way that in the casino environment the terminology is used around Junkets and international premium players, et cetera, and VIP, has historically referred to --- in the case of a premium player, for example, has referred to international customers where there is a group that earns some kind of commission or reward for bringing those people to the casino.

That is a practice we have stopped and not a practice that we intend to re-engage in in the traditional way that it's understood. But I could imagine a scenario, as I think my description of the terminology suggests, where a very innocuous group of people that has no association with financial criminal or any other concern might come to Crown and might have free meals or some other incentive to do so. If that were to be allowed by the regulations, that might be something we consider. But certainly anything that might provide an avenue for organised crime, absolutely not.

MS CAHILL: Are you contemplating at the moment that what you expect it would mean is that commission-based International Business would not be permitted?

MR McCANN: I think that that's the traditional definition of Junkets, or, you know, the significant player programs, so, yes, they would not be permitted. It's not our intention to reopen that. I think if we were to do anything in relation to groups of players with incentives or commissions, that would only happen working closely with the regulators to determine what makes sense within the confines of our approach to AML.

MS CAHILL: Can I change topics now, Mr McCann, and ask you about gambling-related harm minimisation. You are a member of the CRL Responsible Gaming committee, aren't you?

MR McCANN: Yes.

MS CAHILL: Would you agree with me there's an extensive body of academic literature and research on the topic of gambling-related harm?

MR McCANN: There is, yes.

MS CAHILL: Including discussions of the causes of harm?

5

MR McCANN: Yes.

MS CAHILL: And the relative effectiveness of different models of harm  
minimisation?

10

MR McCANN: Yes.

MS CAHILL: Would you also agree there is a significant division or differences of  
opinion within the academic literature and research in respect of those topics?

15

MR McCANN: Yes. I think that's a fair statement. There is a wide range of  
opinions.

MS CAHILL: Would you say that the CRL Responsible Gaming Committee has a  
unified and coherent view about the causes of gambling-related harm?

20

MR McCANN: That's a very good question. I'm not sure I could vouch for the  
different views of the different individuals on that committee. What I can say is we  
have done a lot of work in this area to try and make sure we understand the best ways  
for us to mitigate harm minimisation or to mitigate harm across our resorts.

25

MS CAHILL: I didn't ask you about the individual views of members by the  
committee. I asked if there was a unified and coherent view by the committee about  
the causes of gambling-related harm.

30

MR McCANN: It is something we have discuss and debated. I don't think we have  
formed a definitive view as to what the causes of gambling harm are, but we have  
had reference to a lot of expertise in that area. So I'm only --- I'm not trying not to  
answer the question. I just don't recall us forming that view and reaching that  
conclusion on what the causes are. We know there's a wide range.

35

MS CAHILL: Do you have a view about the causes of gambling-related harm?

MR McCANN: I have some views, but, again, I wouldn't be --- I wouldn't say I'm  
definitive either. I know there are a wide range of inputs into what causes gambling-  
related harm, and I understand also that there is a shared responsibility to try and  
minimise it.

40

MS CAHILL: Let's talk about harm minimisation in a second. I'm here focusing on  
the causes of gambling-related harm. Could you summarise succinctly for the  
benefit of the Commissioners your view about the causes of gambling-related harm?

45

MR McCANN: As I said, I think that, you know, I don't have a succinct view.

There are a wide range of causes. There are experts in this space that we rely, and I'm not trying to be --- I'm not trying to dictate what the causes are. I think there are, you know, personal circumstances that are very relevant, and then there are also the environmental circumstances that are presented to the individual that can impact on gambling-related harm.

MS CAHILL: And environmental causes includes the fact and way in which gambling services are offered?

MR McCANN: That's definitely a factor, yes.

MS CAHILL: Would you say that the CRL Responsible Gaming committee has a unified and coherent view about the model of harm minimisation that is considered to be most effective?

MR McCANN: Sorry, the second part of your question just cut out.

MS CAHILL: Would you say that the CRL Responsible Gaming committee has a unified and coherent view about the model of harm minimisation that is considered to be most effective?

MR McCANN: Yes, I think that we do. We've had a number of presentations in this regard, and we've had a number of recommendations that have been made to us by independent experts, and we have adopted a wide range of those.

MS CAHILL: So what is the model?

MR McCANN: There's a range of interventions that we believe are important in the context of harm minimisation to, you know, play periods, for example. There's a wide range of things that we've stopped doing in relation to services that we have provided to customers which might be seen to potentially add to gambling harm. You know, it's difficult to be concise. There's a lot of things we are doing.

MS CAHILL: Well, what I'm really interested in is the model of harm minimisation that the committee observes. Does the committee consider that Crown has a responsibility to modify or restrict when or how it offers gambling services in order to minimise the risk of gambling-related harm to patrons generally, or patrons individually?

MR McCANN: I understand your question. Both.

MS CAHILL: Does the committee consider that Crown have a responsibility to modify or restrict when or how it offers electronic gaming machines to the public in order to minimise the risk of gambling-related harm?

MR McCANN: The committee has formed a view on a number of recommendations. As I referred to before, one of those is in relation to play periods. That, in our view,

is the right approach for us to help minimise harm in relation to EGMs. In the context of availability of EGMs, we have a licence for a certain number of machines at the Perth Casino. It's the only place in Perth that has that capacity, and, therefore,  
5 we have a unique responsibility to make sure that the way we make those available to patrons is carefully considered.

10 MS CAHILL: That might include, mightn't it, not offering all of the machines that you're licensed to to the public to play on?

MR McCANN: I think that that's an ongoing consideration that we will continue to reflect on.

15 MS CAHILL: You would agree, wouldn't you, that in relation to the general topic of identification and appropriately managing the risk of gambling-related harm, a casino operator is dealing with an inherent conflict in the sense of profit versus mitigation of risk?

20 MR McCANN: On the face of it, yes, but I am comfortable in reconciling those two things.

MS CAHILL: Well, isn't the outworking of that inherent conflict that a casino operator such as Crown, if it seeks to genuinely manage gambling-related risk of harm appropriately, it will need to have the benefit of independent advice that is not  
25 affected by the commercial interests that the casino operator has?

MR McCANN: I think that the reason that I answered the way I did on the face of it, this goes to the heart, in my mind, of that perceived conflict. I think there are some comparable situations which I have been involved in, in my career, which I could  
30 refer to.

So, for example, the fiduciary obligations of a trustee company managing assets on behalf of unit holders versus the obligations of the employees of that entity manage on behalf of shareholders. I see a similar relationship here. Fundamentally the short-  
35 term interests of Crown as an entity might be perceived to be to maximise revenue from every customer that it can get through the doors. The long-term interests, which I would describe as the maintainable value of Crown for its shareholders, is fundamentally dependant on retaining both a social and regulatory licence to operate, and that is completely aligned with minimising harm and with operating the assets in  
40 the best interests of the community.

I think Crown's got that wrong in the past, but I think that certainly within our revised cultural framework, it is our aspiration to get that right going forward.

45 MS CAHILL: Mr McCann, the inherent conflict that I described to you and that you yourself identified a moment ago is the reason why Crown's established that independent advisory panel, isn't it?



MR McCANN: That's one of the reasons. Getting independent advice from experts is an important part of understanding those interactions.

5 MS CAHILL: But the independence of the panel is important to you because Crown could simply employ people with the requisite academic skills and experience to advise it on these technical issues, but the relevance of the independent body is so that it can advise Crown seemingly untainted by the commercial interests that afflict Crown?

10 MR McCANN: I think that's an important part of the role of an independent advisory panel, yes, but I would say there are people within Crown in our Responsible Gaming roles, our Responsible Gaming advisers, who are absolutely performing their role without regard to a commercial imperative.

15 MS CAHILL: Can I come back to the independent advisory panel, please. Are you satisfied with the operation of that panel?

MR McCANN: Yes, I am.

20 MS CAHILL: And as to its independence?

MR McCANN: Yes.

25 MS CAHILL: You are aware it was set up in 2018?

MR McCANN: Yes.

30 MS CAHILL: Has the membership changed since then, to your knowledge?

MR McCANN: I can't answer that question. I'm not sure, but not that I'm aware of.

MS CAHILL: As far as you are aware, it's headed up by --- I hope I'm saying his name correctly --- Professor Blaszczynski?

35 MR McCANN: Yes.

MS CAHILL: Am I saying his name correctly?

40 MR McCANN: I don't know. I think it's probably close enough.

MS CAHILL: By Professor Blaszczynski and two of his colleagues at the University of Sydney; is that right?

45 MR McCANN: That's my understanding, yes.

MS CAHILL: Have you reviewed Professor Blaszczynski's terms of appointment to the panel?

MR McCANN: I have some time back, but, yes, I have seen it.

5 MS CAHILL: A letter of retainer dated 12 November 2018 produced to the commission is at CRW.540.011.7177, on the private screens, I think, not on the public screen. At 7178, you'll see Professor Blaszczyński's fee at the top under remuneration with a base salary of a monthly retainer of the amount specified there, with any significant projects to be undertaken to be paid for separately?

10 MR McCANN: Yes.

MS CAHILL: It goes on to say what the panel is required to do is set out in some terms of reference, which I will take you to, setting out the functions and objectives of the panel. That's CRW.700.010.0186. Have you reviewed this document?

15

MR McCANN: I have been --- it's been explained to me. I don't think I reviewed it fully, but it's been explained to me, yes.

20 MS CAHILL: If you go to the bottom of 0188 and over to 0189, objectives and functions, and if we go over to 0189 at the top there, 3.2, there's a general requirement to provide information, advice, et cetera, and at clause 4.1, it appears that the minimum requirement is to meet two times annually, that panel. And then it says "additionally as required", but the minimum stipulation is to meet twice a year for that fee that I showed you, that annual fee monthly retainer that I showed you in the retainer letter. Does it occur to you that, to keep members of the advisory panel on what I suggest is a fairly generous retainer relative to the work required of them, and on a long-term basis, may compromise the independence and objectivity of the advice Crown receives?

25  
30 MR McCANN: I certainly hope not. I wouldn't think so, no.

MS CAHILL: What do you say to the proposition that Crown should seek advice from a range of academics or experts to get a breadth of view as to harm minimisation and the effectiveness of different approaches?

35

MR McCANN: We do seek a range of inputs, and we do seek a wide range of research. In fact, we have recently engaged with a group, I think based in Canada, a focal group, and that is a paid piece of work as well that we are contributing to. If you are an expert in your field, you're probably entitled to earn a return on your efforts.

40

MS CAHILL: I'm not quarrelling with that proposition, Mr McCann. What I suggest to you is might it be better than have a standing panel comprised of the same people on a long-term basis, that you seek advice from experts recommended or nominated by an independent source, such as the Victorian Responsible Gambling Foundation?

45

MR McCANN: We do talk to the Victorian Responsible Gambling Foundation, and we seek a wide range of advice. So I don't think the fact that we have this advisory panel in existence prevents us from seeking advice from a range of sources.

5

MS CAHILL: But the advisory panel that you have, that's the principal place that you go to for advice in relation to gambling-related harm minimisation, isn't it?

MR McCANN: Yes, it is. So we socialise recommendations. So there's currently discussions under way in relation to enhancement to our Responsible Gaming plan, which have been discussed and presented to that panel, and we have sought their input. But we have also sought input on a range of things from the foundation and various other bodies as well.

10

MS CAHILL: Did the responsible gaming committee have input into Crown's risk appetite statement?

MR McCANN: I'm not sure. It was formed --- as I think we have discussed before, it was approved prior to my arrival.

20

MS CAHILL: The risk appetite statement does not specifically mention gambling-related harm. Do you think it should?

MR McCANN: I think that's a fair question. I think that, you know, what the risk appetite --- someone has just put it up on the screen, which is helpful --- the risk appetite statement, obviously as risk appetite statements do ---

25

MS CAHILL: I'm just going to interrupt to encourage the operator to continue to put that document up there.

30

MR McCANN: Yes, it disappeared.

MS CAHILL: There we go.

MR McCANN: Yes. It is intended to describe what our philosophy on risk is and what our approach on risk is, and what our appetite is. It also defines, and not in this --- it must be in this section, I think, somewhere, that we have a zero-risk appetite for breaching regulatory requirements, and I thought that it will mention harm or community impacts. I might be mistaken, but that was my recollection.

40

MS CAHILL: So the zero appetite for material risk related to regulatory requirements is at the bottom of the page. I think that's what you are referring to, that bullet point down the bottom?

MR McCANN: Yes.

45

MS CAHILL: If we go over to 0068, you see the second dot point on that page. That's as close as you get, isn't it, to ---

MR McCANN: Yes. That was what I was referring to. So I did understand that there was a reference to social licence and doing the right thing. I think it is intended to encapsulate all things associated with our social licence, which would include responsible gambling. As I said, I wasn't involved in the drafting of this, I wasn't here. It could be improved to the point you are making, I think it probably could.

MS CAHILL: It's important, isn't it, given the importance of RSG as an issue, that the ---

MR McCANN: Yes.

MS CAHILL: --- risk appetite be clearly and specifically articulated?

MR McCANN: I think that's fair, and I think as part of our revised framework, we need to make sure that that is properly described.

MS CAHILL: Just underneath this, if we can pop that back and look at 7.2 on the same page where we have the risk appetite statement and reporting tolerances, that's all very familiar to you, presumably?

MR McCANN: Yes.

MS CAHILL: RSG falls within this regulatory/legal category on the left-hand side. If we go over the page, do you see that there with responsible service of alcohol?

MR McCANN: Yes.

MS CAHILL: Now, the metric for triggering a report to the group committee is expressed relevantly as a material Responsible Gaming issue, including sustained adverse media. Would you agree that that doesn't really provide sufficient guidance as to when to escalate a risk and when not?

MR McCANN: Yes, I think it could be improved. It's not --- it's not as clear as it could be.

MS CAHILL: And presumably it's not just to the risk committee that a risk needs to be elevated, but in relation to Crown Perth, rather to the Burswood Limited board; is that right?

MR McCANN: Yes.

MS CAHILL: So it's actually Burswood Limited and not the CRL risk management committee that has responsibility in this area in relation to Crown Perth harm minimisation risks?

MR McCANN: That's right.

MS CAHILL: Can I take you to the most recent version of the remediation plan, which is not for the public screens, but the doc ID is CRW.701.006.4339 at pages 4402, if we start there. That's where the responsible gaming component begins of the remediation plan. If we pop through to 4406, I want to show you item 43. There's a responsible gaming change program that is being developed and is planned to be completed by 1 December; is that the idea?

MR McCANN: That's right, yes.

MS CAHILL: That plan has been developed from advice given by the independent panel?

MR McCANN: There have been a number of inputs into that plan. It has certainly been discussed with that panel very recently, I understand.

MS CAHILL: But if we have a look at that third column, do you see where it says at its 15 June 2021 meeting the board resolved to engage the panel?

MR McCANN: Yes.

MS CAHILL: I think that was for an additional fee, was it?

MR McCANN: I don't know the answer to that question, actually.

MS CAHILL: But it says to provide advice into aspect of Crown's RG programs, and these are the words I'm focusing on, Mr McCann:

..... that have been the subject of criticism by the Victorian Royal Commission.

Do you see that?

MR McCANN: Yes.

MS CAHILL: Is the change program, therefore, limited to being responsive to criticisms of the Victorian Royal Commission, by which I mean it doesn't intend to more widely identify and manage gambling-related harm risk across Crown's operations?

MR McCANN: No, I wouldn't characterise it as that. I think what this paragraph, the way I interpret this paragraph is, it is summarising the trigger --- at that 15 June meeting, perhaps --- for engaging the panel was partly at least a reaction to the criticism in the Victorian Royal Commission. But in terms of the plan itself, it is intended to be a very fulsome plan that achieves best practice.

MS CAHILL: But you weren't sure when I asked you a moment ago whether there was an enterprise-wide risk assessment being conducted and completed in relation to

RSG risks specifically, are you?

MR McCANN: No.

5

MS CAHILL: Well ---

MR McCANN: I'm not aware of that.

10 MS CAHILL: --- being on the Responsible Gaming committee, how is it that you do not know that?

MR McCANN: If it has been discussed at that committee, then it has slipped my mind, but I can't recall it being discussed in that context.

15

MS CAHILL: Is there any reason why an enterprise-wide risk assessment should not be conducted, specifically focusing on gambling-related harm risk?

20 MR McCANN: There's no specific reason, although I would say, and this is a shared view with a number of people, including Steven Blackburn, that an enterprise-wide risk assessment of itself is an important part of the process that we are undergoing, but the fact that one hasn't been completed doesn't mean that of itself the individual components of our business do not achieve our objective of best practice risk management, its process.

25

MS CAHILL: Well, the bottom line is this, isn't it: In the absence of an enterprise-wide risk assessment for gambling-related harm risk, you simply don't know whether you have identified and managed all of the gambling-related harm risk?

30 MR McCANN: That's probably a fair statement, but I would suggest that we will never know that. We need to continue to get input from experts on an ongoing basis.

35 MS CAHILL: Well, an enterprise-wide risk assessment, having been completed, gives you a much better level of assurance in that regard than if you haven't undertaken such an assessment?

MR McCANN: I agree. I agree with that, yes.

40 MS CAHILL: So the best practice that you achieve, absent an enterprise-wide risk assessment, is more a matter of good fortune rather than assurance that that's what you achieved?

45 MR McCANN: I wouldn't characterise it that way. I think the word "assurance" that you just used is the right word. The enterprise-wide risk assessment is an assurance process. It is checking that the processes that you have are best practice. The fact that you haven't done it doesn't mean they are not, and that comes down to people; it comes to processes, systems, culture, everything we are working on.

MS CAHILL: In paragraph 13(a) of your witness statement you refer to a number of briefings you have attended regarding Crown's draft Responsible Gaming plan. Who has given those briefings, Mr McCann?

5

MR McCANN: Sorry, could you just repeat your question?

MS CAHILL: In paragraph 13(e)?

10 MR McCANN: Sorry, (a) is on the screen. Yes. So those briefings have been from a number of people. Sonja Bauer initially, when she was in her role in EGM Responsible Gaming --- or general manager, I think, Responsible Gaming; Steve Blackburn; and also Nick Emery, who is our chief marketing officer who has been heavily involved in this because a number of the people involved in our data  
15 analytics report in to Nick.

MS CAHILL: You mentioned recommendations of the panels presented to the Responsible Gaming committee on 7 October. Those updated recommendations have not been produced to the Commission. What do they say?

20

MR McCANN: There are a range of --- it's quite a long list --- of potential enhancements, so there is a summary of the recommendations made. Not all of them are recommended to be adopted. The vast majority are, and they range from play hours, for example, the way that our technology works in relation to the Splunk system, notifying Responsible Gaming advisers when there is an issue. They also discuss cardless play and the need for us to do further research on that. There are a range of things on that list.

25

MS CAHILL: Is it envisaged that the 12-hour play limit for EGMs will be reduced?

30

MR McCANN: No, not currently. That is currently actually being rolled out in Perth, as we speak. There are operational issues associated with making that work properly. So, you know, for example, differentiating between people who are there as a hotel guests versus people who are actually gambling. If they are non-carded players, that becomes a bit more complex. So we have to make sure we round out all of those issues, but there is no intention to change that.

35

MS CAHILL: When you gave your evidence-in-chief earlier this afternoon, you mentioned that there had been about an additional 70 people joining the management team across financial crime and RSG. Do I have that correct?

40

MR McCANN: Yes.

MS CAHILL: How many of those 70 are RSG positions?

45

MR McCANN: Exactly 16.2.

MS CAHILL: And that represents, if I understand your evidence-in-chief correctly, a 40 per cent increase on what there was previously?

5 MR McCANN: Yes.

MS CAHILL: You are aware, obviously, Mr Blackburn is the primary person responsible for the Responsible Gaming area of Crown Group?

10 MR McCANN: That's right, yes.

MS CAHILL: But unlike his expertise in financial crime, he has no background or expertise in gambling-relating harm minimisation?

15 MR McCANN: That's right.

MS CAHILL: Do you consider it appropriate for him to have overall responsibility for the RSG area given his lack of experience and given his significant commitments to the financial crime risk area?

20

MR McCANN: Yes, I do. I think Steve is an outstanding executive. Obviously, it's a steep learning curve on Responsible Gaming for him, as it has been for me, but part of his role, like mine, is to make sure that he has the best possible team.

25 I know he's well advanced in the recruitment of an EGM for Responsible Gaming. I have seen a short list of candidates. There are some exceptional candidates that have applied for that role, and I don't think we would have that caliber of candidates if we didn't have a person like Steve Blackburn overseeing it.

30 MS CAHILL: Would you have appointed Mr Blackburn to the financial crime risk role he has if he had no background in financial crime risk?

35 MR McCANN: Probably not, but that was an appointment made before my arrival. But, as you've already pointed out, I have no prior casino experience, but I think I can do a serviceable job as a CEO, hopefully better than that.

MS CAHILL: Just coming back to Mr Blackburn in that specific role of financial crime risk, for you now --- you didn't make the appointment, but for you now it's important that he has that expertise, isn't it?

40

MR McCANN: Yes, I think that's quite a technical area, and his expertise in that area is very helpful.

MS CAHILL: You don't think that RSG is a technical area?

45

MR McCANN: RSG is a complex area. It's not technical in the sense of the rules and regulations that need to be applied. It's an issue, as we talked about, going to the social licence to operate. It's an area of responsibility. It's not a heavily regulated



area.

5 MS CAHILL: Aren't the issues of the causes of gambling-related harm and appropriate harm-minimisation models completely technical?

10 MR McCANN: No, I don't agree with that. So, for example, at Crown we will have at any given point in time several thousand people coming in and out of our doors, and we'll have several hundred people at Crown Perth working within the establishment. It is my intention that the entire organisation is focused on the responsible service of gaming. I don't expect them all to be responsible gaming experts with technical knowledge. I expect them, though, to approach their roles with the right degree of social responsibility, and that's something we haven't achieved historically but we will achieve going forward.

15 MS CAHILL: We are talking about Mr Blackburn, not everybody in the RSG.

20 MR McCANN: I'm differentiating between technical requirements and the requirements to exercise care for customers in the context of harm minimisation, which I don't see as a technical requirement.

25 MS CAHILL: All right. The change program that is being sought to be developed and implemented for RSG in the Crown Group is that fundamentally underpinned by an adoption of the Reno Model?

MR McCANN: You'll have to explain the Reno Model to me.

MS CAHILL: You don't know what the Reno Model is?

30 MR McCANN: Not off the top of my head, no.

MS CAHILL: Is that not a technical term that you might need to know about?

35 MR McCANN: It may be. It's not a term I'm familiar with.

40 MS CAHILL: Can I come to the Crown Perth local remediation plan, Mr McCann. We learnt from Mr Bossi last Friday that Crown Perth has a local remediation plan, and indeed it appears it has a Crown Perth remediation planning committee. Are you aware of both of those things?

MR McCANN: I am now, but I only became aware of them following Mr Bossi's evidence.

45 MS CAHILL: Do I understand correctly that that committee doesn't report to either the Burswood Limited board or any management position within the Crown Group structure?

MR McCANN: No, it's a group that Mr Bossi has established which is intended to

operationalise what we are pursuing in our remediation plan at the Perth resort specifically.

5 MS CAHILL: So is it a committee that basically is intended to implement, and therefore conform to, the group remediation plan or plans?

MR McCANN: Yes, to the extent that they relate to Crown Perth.

10 MS CAHILL: And to the extent that they have been approved by the Burswood Limited board; is that right?

MR McCANN: Yes.

15 MS CAHILL: Do they need that imprimatur from the Burswood Limited board before they can proceed to implement a remediation plan from Crown Group locally?

MR McCANN: I think the remediation plan itself is a plan that we manage at the Crown Resorts level. That plan evolved some time ago actually. I think it was first  
20 put in place quite some time ago and was added to as a result of the outcome of the Bergin reporting and will continue to be added to. I expect, though, that there will be probably a separate plan that will emerge from the outcomes of the Victorian Royal Commission, and there may well be a separate plan that emerges from the outcomes of the Perth Royal Commission.

25 So they are working documents to help us set targets within the management of Crown Perth itself. I expect Lonnie would have a range of meetings and committees to help operationalise all of those things, and he wouldn't need to go to the Burswood board for the approval of that. It's expected in the job to implement and  
30 operationalise the remediation plan as it applies to Perth.

MS CAHILL: It's just whether that remediation plan first has to be approved by the Burswood Limited board before Mr Bossi can do anything to implement it?

35 MR McCANN: It does need to be approved, but I guess the reason I might be sounding indirect on this is because I think there are other forms of remediation. I expect Lonnie might form his own judgment are required, and he might raise some of those with me. He may not, on the basis of materiality, feel he needs to, but I'm not certainly not going to refrain Mr Bossi from implementing other forms of  
40 remediation external to that plan if they make sense in the operations of Perth in a responsible manner.

MS CAHILL: Can I ask you about that. If you have a look at the Excel workbook that is the most current version of this implementation schedule that Mr Bossi is  
45 working with, with his committee, you can see amongst other things that there's a plan for amending the existing standard operating procedures at Crown Perth, at least insofar as they relate to AML. Now, is that something that is in conformity with or otherwise in conflict with the remediation plan that Mr Blackburn has for AML,

including a general policy uplift?

5 MR McCANN: I can't answer that question on the specifics of what's in the plan. As I said, I only became aware of it very recently, but I would certainly hope that it's not inconsistent.

10 MS CAHILL: Well, the amendment of standard operating procedures at Crown Perth, who does that have to be approved by?

MR McCANN: So standard operating procedures are proceedings that we implement to operationalise our control mechanisms, and they need to be approved by Mr Bossi.

15 MS CAHILL: And Mr Bossi alone?

MR McCANN: In the context of financial crime, no. He would need to obviously ensure that they are also approved by Mr Blackburn.

20 MS CAHILL: Is that happening, to your knowledge?

MR McCANN: I certainly hope so.

25 MS CAHILL: You don't know?

MR McCANN: I trust both Mr Bossi and Mr Blackburn, as senior executives, to do their role well. I know they talk frequently, so I'm assuming that there is no differentiation or conflict between what Mr Bossi is trying to achieve and what Mr Blackburn is trying to achieve.

30 MS CAHILL: Mr McCann, can I talk to you a little bit cultural change. You have that primary responsibility within the group for driving cultural change, don't you?

35 MR McCANN: Yes. I'm working closely on that with the chief people and culture officer, which is Tony Weston.

40 MS CAHILL: Ultimately, you would agree, it's the improvement of culture that's of critical importance to the effectiveness of the remediation programs that are presently being developed and implemented?

MR McCANN: Yes, that's right.

45 MS CAHILL: You gave evidence to the Victorian Royal Commission not long after you arrived at Crown and made some observations about the culture of Crown as you saw it at the time.

Just on the hearing room screens, please, the witness statement of 15 June 2021. That's CRW.998.001.0459\_R, at page 0465, paragraphs 28 and 29. You are referring

there to the previous chair identifying the need for a cultural overhaul of Crown, provided by the CEO, and this is in the context of the discussions you had leading up to your appointment with Ms Coonan.

5

If we go to page 467, paragraph 34, the first sentence, this is at June, you say, based on your current knowledge of the challenges facing Crown, you are confident that these can be addressed relatively quickly over the course of several months. The "these" is a reference to Crown's failings, including the need for cultural overhaul.

10 Would you agree that you probably didn't appreciate the enormity of the task when you said that?

MR McCANN: I may have underestimated the enormity of the task in some areas, and certainly the report from the Victorian Royal Commission is a sobering read in relation to some of the practices that did apply and the cultural issues. There's been a lot of work done on this over the last several months, and I think we are well progressed on this journey. So I'm confident that we will achieve our objective of the cultural overhaul that we have set ourselves.

20 MS CAHILL: We are now several months down the track from June when you made this statement. You would accept, wouldn't you, that cultural reform has not been completed, as I stand and you sit here today?

MR McCANN: I agree with that, and that's not what I read my statement to have said what would happen --- to have said would happen. "Completed" really depends on what you're talking about when you say "completed". What I would say is there are two very significant steps here.

30 One is the climate that we operate in. Have we done the work to reset the climate within Crown? Yes, we have. Is that well progressed? In my view, very well progressed. Are we able to measure the success? Clearly not. That takes time. We need to measure that it's --- we need to assess the embedment of that culture, and then we need to measure our performance and make sure that it's sustainable. But the first thing you have to do is reset the climate, which I believe we are well advanced on.

40 MS CAHILL: You didn't, at the time of your witness statement to the Victorian Royal Commission, have access to the Deloitte cultural review, did you? That was provided in July 2021, I think?

MR McCANN: That's right. Yes, I think that's right.

45 MS CAHILL: If we just go to CRW.701.004.9441, the executive summary at 9447, right-hand column, there are some overarching findings in the numbered paragraph 1, talking there about a culture of compliance not yet embedded. Would you say the culture of compliance has now been embedded across the Crown Group?

MR McCANN: This is an interesting area, because I know that some experts have said that there is no such thing as a culture of compliance. So our culture requires an

element of that to be a strong focus on compliance. I believe we do have a very strong focus on compliance across the group. There is always room for improvement, but I believe we've made very good progress in that regard.

5

MS CAHILL: In relation to numbered paragraph 2, which is focusing on the senior management level and how it's perceived by middle-level managers and lower, do you say that those perception issues have been resolved yet?

10

MR McCANN: I'm just reading --- could someone actually enlarge that a little bit, please? Sorry. Thanks. That was a disappointing statistic to read in the culture survey. I think that we have improved materially. We haven't done another survey yet to measure our success, but we will be doing that on an ongoing basis. So we need to continue to measure improvement and make sure that that sentiment has

15

shifted materially.

20

MS CAHILL: In your witness statement to the Victorian Royal Commission at paragraph 35, you stated that in your view achieving the transformation required did not require a massive replenishment across the various layers of the organisation. Do you still hold that view?

25

MR McCANN: Yes, I do, and what I really was referring to here is that Crown employs thousands of people across the organisation, a number of contractors as well as direct employees, and as I said at the time --- and obviously please keep in mind I was two weeks into my role when I wrote this, so I have learnt a lot since, there is no doubt about that, but my observation that there was a real desire amongst the what I would call frontline workers at Crown to see change and to be supported in that change and to have strong direction from the top was palpable, and that remains the case today.

30

What has been called out in the Deloitte survey, amongst other things, is what I think they refer to as the permafrost layer, which I can attest to being not unique to Crown. That's something that exists in most large organisations. It can be harder work to break through that layer, hence the terminology used. I think we probably still have more work to do there.

35

40

MS CAHILL: It we come back to the culture, numbered paragraph 3 at page 9447, CRW.701.004.9441, at 9447, numbered paragraph 3, focuses more particularly on the middle-management level of the organisation. Would you agree that at Crown there is a need to drive cultural change at the middle management level?

MR McCANN: Yes, I agree.

45

MS CAHILL: How best is that done in practice, in your view?

MR McCANN: I think there has to be a combination of things, and we are working on all of those. So communication and the rigorous reinforcement of consistent messages. We have worked as a team to reassess our purpose and values. That has

been an area of significant engagement amongst middle management, and they've had a lot of input into those discussions.

5 We need to now make sure that everyone from the top down, including that layer of management, genuinely buys into those values and the behaviours that are associated with them and sets that example on a consistent basis. That is something --- again going back to, you know, when are you done; you're never done, but in terms of measuring the improvement, it's too early to say how far embedded that is in the  
10 organisation, but I'm confident that we have made great progress.

MS CAHILL: I asked you previously about the CEO of Crown Perth specifically, but more generally across management and including here particularly middle management, as a cohort. What is your view about the wisdom of retaining people in  
15 key management positions who have overseen and share responsibility for the past unsatisfactory culture?

MR McCANN: I think that, to the extent that someone is responsible or accountable for bad behaviour, we need to look at that very closely and people need to be  
20 assessed fairly and rigorously. We shouldn't jump to conclusions, but there is no doubt, as our chairman elect said in his evidence, there will be a transition and some people won't survive that transition. It's going to be a rapid transition.

MS CAHILL: Can I ask you about the statement of purpose and values that Crown now has and to which you referred in your evidence-in-chief. Those have recently  
25 been changed a little, haven't they?

MR McCANN: They have.

30 MS CAHILL: Why?

MR McCANN: That was part of the work that we did with Deloitte and internally. About, I think, back in 2019, a piece of work was undertaken --- driven actually largely by Crown Perth --- around establishing purpose and values, or improving our  
35 existing purpose and values. We revisited that work. We asked the specific question as to how we can make our purpose and values more aligned with how we want to deliver our services and why we operate as an entity, and a lot of that goes to the social licence to operate.

40 MS CAHILL: So it's just an outworking of that advice, then, effectively?

MR McCANN: Not advice. There were --- the survey was the starting point. We received advice on what our current state of culture was. We then ran a number of focus groups with our employees and a number of senior leadership groups as well.  
45 So it was the team that actually developed that purpose and those values; it wasn't advice we were assisted in then.

MS CAHILL: Coming to GWC, have you had any engagement with the WA

regulator yet?

MR McCANN: No.

5

MS CAHILL: But you intend to?

MR McCANN: I do. I think it's been obviously --- given the commission is on currently, there's been limited inter action with the GWC in recent times.

10

MS CAHILL: I assume you've been briefed about some of the evidence heard by this Commission regarding the previous relationships between certain officers of the GWC and officers of Crown?

15

MR McCANN: Yes.

MS CAHILL: What in your view is the appropriate posture that Crown should adopt with respect to the regulatory relationship and its dealings with the regulator both at an organisational and individual officer level?

20

MR McCANN: We must have a very transparent, open relationship with all of our regulators. It should be very much at arm's-length, it shouldn't be a social relationship.

25

MS CAHILL: Thank you, Mr McCann. Nothing further, Commissioners.

COMMISSIONER OWEN: Thank you. Do we have any counsel out of the room? No. Are there any applications? No.

30

### **QUESTIONS BY THE COMMISSIONERS**

COMMISSIONER JENKINS: Thank you. Mr McCann, just a couple of questions. Mr Finkelstein, in the report in relation to the Victorian Royal Commission, has made recommendations concerning the management of Crown Melbourne to the effect that its management must only be answerable to the Melbourne casino operator. Are you aware of those recommendations?

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MR McCANN: At a high level, yes. I haven't had time to fully absorb the implications, but, yes, I'm aware of them at a high level.

45

COMMISSIONER JENKINS: By all means tell me that you are unable to answer this question: If those recommendations were implemented, would that restructure have flow-on effects to the management of the Perth Casino?

I'm thinking in this regard that it seems that Crown's current operational structure is that, whilst there is local management at both Perth and Melbourne, there's also

reporting of that local management through to group roles and ultimately to the CRL board, it would seem that Mr Finkelstein's recommendations may cut off ultimately some of that reporting through to Crown Group roles and the CRL board. I'm just  
5 wondering if that was the case in Melbourne, would there then be an associated change to the same reporting lines or parallel reports lines from the Perth Casino?

MR McCANN: You'll have to excuse me for not providing a complete answer, but my response to that would be that my understanding is in Victoria there will be a  
10 series of recommendations that the Victorian government will legislate on in the very short-term and a range of recommendations that it will legislate on subsequently, and I would expect that there will be a period of consultation and discussion around how they would be embodied. So, for example, around corporate governance and  
15 management, there will need to be a workable structure that enables Crown Resorts as a listed company and the ultimate parent company for the directors of Crown Resorts to fulfil their duties as directors. So how that quite fits with what's been recommended, I think there is a bit of work to be done to understand that better.

COMMISSIONER JENKINS: So the question as to whatever is worked out there  
20 affects the approach taken to the management and governance of Burswood is unclear, would that be right?

MR McCANN: I think it's unclear in relation to Melbourne as well as Burswood, I would say, and it needs to be clarified. And then, of course, we also need to have  
25 regard to whatever the outcomes are and recommendation from this Commission.

COMMISSIONER JENKINS: The next question I had related to some of the same issues. It has regard to the board membership of Burswood Resort (Management) Limited and Burswood Nominees limited. To date, those boards have been  
30 executive boards. I think, with respect to answers to Ms Cahill, you said that there was still a lot to be worked out in respect of subsidiary boards, but is it your view that they should remain executive boards?

MR McCANN: I haven't turned my mind specifically to that question, and the  
35 reason for that is that there is actually an astonishing number of subsidiaries in existence around the Crown Group, and we have had a very material change in our directorship. So we are looking at all of those boards and looking at making sure we have the right composition.

40 Intuitively I would have thought it's logical that the same board members sit across each of those boards in Perth. To me, one of the things we haven't done so well is set up a reporting system and process that's efficient. We have a lot of meetings that consider various documents and reports on a repeated basis, and I think we can streamline them by having common membership of various subsidiary boards.

45 COMMISSIONER JENKINS: Thank you for that. My next question was if you had given some thought to that and thought that they should remain executive boards, is how does that affect the reporting lines from those boards through to either CRL or



Burswood Limited, that is, to whom are they ultimately responsible ---

MR McCANN: Yes, I ---

5

COMMISSIONER JENKINS: --- general have you given any thought to that?

MR McCANN: Yes, I have, and I'm maybe oversimplifying, but as I think I referred to earlier, it is a complex structure in Perth which is historical, but fundamentally  
10 Burswood Limited is the 100 per cent owner of the subsidiaries, and Burswood Limited is therefore the entity that is in control and the licence sits with Burswood Nominees, but Burswood Limited, as an approved company, has the ability to control Burswood Nominees and every other subsidiary entity. I think, from our perspective as Crown Resorts, the important thing is to ensure that the reporting and governance  
15 and oversight in Burswood Limited is what it should be.

COMMISSIONER JENKINS: My final question was in relation to the clause 22 of the Victorian State agreement. In relation to this issue at paragraph 30 of your statement to this Commission, you referred to the size of the cities, Perth and  
20 Melbourne, and the economies. I'm just wondering what relevance does that have?

MR McCANN: Just ---

COMMISSIONER JENKINS: If paragraph 30 of your statement could be brought  
25 up.

MR McCANN: Just give me one moment, because this laptop that I'm on is telling me it's about to log me off. So I just need to make sure it doesn't. I hope I have solved that. I will have to dial back in if I failed. I'm just reading that now,  
30 apologies.

So the point I was trying to make there, perhaps poorly made, is that, when you look at that requirement, and certainly the way it's interpreted within the parochialism that has definitely emerged in Victoria, is that the desire for the Melbourne casino to be  
35 the flagship casino is interpreted to include scale in that.

I think that one of the points that I'm making here is as an economy, a larger economy, it is --- we expect --- I think probably it is self-evident --- on an ongoing basis the revenue generated from Melbourne is likely to exceed the revenue  
40 generated from Perth, and as a commercial entity, clearly one of the things that determines our capacity to reinvest in our assets is the profit margin that we generate and the return on capital for investors that gives us the capacity to reinvest.

On that basis, I think scale does become relevant in the capacity to continue to  
45 maintain one resort as perhaps the flagship resort versus others. That's really the point that I was trying to make, but I don't think I made it particularly well.

COMMISSIONER JENKINS: Because in the Melbourne casino commission this

matter was under consideration, Crown was not making that same point with respect to Sydney and Melbourne, was it? It wasn't saying that Sydney had to be the larger casino because it had a larger population and economy than Victoria?

5

MR McCANN: No, I don't think that is what we said. I think that certainly the discussions around the Sydney resort, and at the time that the licence was granted for Sydney, there were discussions with the Victorian government, and those discussions went to the quality of the Sydney resort and its capacity to, amongst other things, attract international tourism at a scale and at a price point which would add value to both the New South Wales and Victorian economies. So it is not perceived within Crown that Crown Sydney as a competitive asset versus Crown Melbourne. It's perceived within Crown that Crown Sydney is a competitive asset versus Star.

10

15

And I think it's a reasonable hypothesis that the only imminent threat that a resort other than Crown Melbourne could potentially become the premier resort in the country would be a threat from Star, not from within Crown.

20

COMMISSIONER JENKINS: So in respect of clause 22 and the various parts of it, do you agree that it requires CRL, both at CRL level and in its control of the Melbourne casino operator, to operate the Perth Casino in a way that is not detrimental to Victoria or the Melbourne casino and in a way that, in effect, puts the Melbourne casino and Victoria's interests above those of Western Australia?

25

MR McCANN: I think the first part of what you said, Commissioner, is right, that not to the detriment of Melbourne, but the second part, I don't agree with. This goes back to what I said earlier around the benefits of scale, the network effect, best practice. All of those things are best achieved by having an organisation which has the capacity to attract the best talent and the cheapest capital to enable it to continue to reinvest.

30

I think it is very clear to me that Crown Perth as an asset is a vastly superior asset today than it was prior to Crown's ownership, and that's a direct consequence of Crown having invested over \$1.5 billion into that asset, and that has not been at all to the detriment of Crown Melbourne. In fact, it's enhanced the Crown brand and reputation.

35

Obviously, we have got some serious issues we are dealing with at the moment around what we have done to damage that brand, but in the context of the quality of our resorts, having an absolute first-class resort in Perth is an enhancement both locally and internationally to the status of the Crown brand. And that benefits Melbourne.

40

COMMISSIONER JENKINS: Thank you, Mr McCann. I don't have any questions.

45

COMMISSIONER OWEN: Mr McCann, I have a couple of questions for you. Can I just ask you this, and I will put this to you and leave it at that for the time being: Do you regard Crown Perth as being a resort complex comparable to international

first-class hotel and casino complexes, taking into account its size, location and primary markets? Do you want me to read that again?

5 MR McCANN: No, I think I have got that covered. Yes, except for the fact that there's a very small component of international revenue in Crown Perth. Most international resorts would probably have a far greater international component of their revenue.

10 COMMISSIONER OWEN: Right. On a different topic, there were a series of questions that Ms Cahill put to you, and if I can paraphrase or summarise to the effect of how do you take into account the deficiencies of the past and develop and remedy them by developing a culture for the future? Do you remember there was a series of questions along those lines?

15 MR McCANN: Yes, Commissioner.

COMMISSIONER OWEN: There is no need to bring this up, but at page 3612 of the transcript of the Victorian Royal Commission of 7 July, Ms Halton gave  
20 evidence, and one of the things she said when she was commenting on your arrival, which was then quite fresh, and she said, "Mr McCann is going to make an assessment about all of our senior management team going forward". That was her evidence to the Victorian Royal Commission. Is that happening?

25 MR McCANN: Yes, it is, Commissioner.

COMMISSIONER OWEN: Over what period would you expect that to continue?

MR McCANN: I would --- I mean, there is --- it will be --- it's an ongoing part of  
30 my role, obviously, to continue to do that, but at the senior management level, which is --- I would categorise perhaps as my direct reports, when I joined Crown, there were 17 direct reports to me. There are nine now. I don't expect it to be more than nine going forward.

35 There are a couple of roles within that group that are likely to change going forward as well, and we are very close to appointing some new senior executives, for example, a CEO Sydney and the new head of external affairs. So it is an ongoing process. I would certainly hope that within the next six months I could say that my team is stabilised and at the quality that they need to be, and then there will be other  
40 changes, no doubt, on an ongoing basis in that middle-management level.

COMMISSIONER OWEN: Thank you. I have a couple of questions --- they are related, I think --- about the Crown Perth subsidiaries, in particular the three  
45 companies in Perth, Burswood Limited, Burswood Resort Limited and Burswood Nominees Limited. Again, I'm trying to summarise here. I think your evidence to Ms Cahill about that, the structure of those companies, was something along these lines: that it's an historical structure and you have to take into account that Burswood Limited started as a property trust with a separate management company, not

surprising because it was a professional trustee that was the trustee that held the registered ownership of the asset, including the licence. So that's not surprising, but you get to a stage where it becomes a public company, and so the governance, then, the focus of governance, shifts to the public company rather than to the manager and the trustee, so the structure is an historical accident, or a part of history, and that the reality is that you are looking at Burswood Limited for governance; is that a fair summary of what you were saying?

10 MR McCANN: Yes, that's certainly how I see it, how it's been described to me.

COMMISSIONER OWEN: Can I put this to you: Even accepting that that is the reality, it is difficult, effectively, to ignore the trust structure for this reason, if for no other, and that is that the trust structure is recognised in an act of the Western Australian Parliament.

MR McCANN: Yes.

COMMISSIONER OWEN: Does that affect the approach that you would take to this focus on Burswood Limited and, if I can put it this way, a lack of attention to the trustee and the manager?

MR McCANN: If there is perceived to be a lack of attention to the trustee and the manager, that's certainly not the intention. It's that we see it as encapsulated within the structure with Burswood Limited being the ultimate owner. I can understand your point.

However, as I think I alluded to before, the Burswood Limited constitution, and indeed the regulations, obviously require ministerial approval. They might even require an Act of Parliament to change. I'm not sure why that wasn't done when Crown or PBL, as it was then, privatised Burswood. I expect that there are a combination of factors, including cost, stamp duty and other things that may have gone into that decision.

But certainly in my perspective, they should have all been changed at that time and ministerial consent should have been sought to tidy up the structure so that this issue was not an ongoing source of concern. Perhaps post this Commission, we should be engaging with government to make sure the structure does work as it is intended to, and that the governance is very clear.

COMMISSIONER OWEN: Thank you. My last question comes to Burswood Limited itself, and it's the current position of three directors. Can I ask you this: Crown Perth is an organisation that, as I understand it, has roughly 6,000 employees. It's got, according to the annual report, annual revenues of about \$700 million. I think we heard evidence that there can be 8 to 10 million people across the site in any year. That is, on any view, a very significant undertaking. You would agree with that?

MR McCANN: It is Commissioner, yes.

COMMISSIONER OWEN: Can I put this to you: A board of three that is asked to exercise a full suite of governance responsibilities and take governance accountability, it is a very large task for a board of three to take on all of those  
5 functions and do it in the way that directors' responsibilities require --- that's the first part of it. The second part is that it is a particularly difficult task for a non-executive independent director, a sole non-executive independent director, who doesn't have day-to-day knowledge of the organisation.

10 MR McCANN: Obviously there's been a lot of change at the various levels of Crown in the various boards and committees, and that's an ongoing thing. The minimum requirement is three. That's a legislative requirement, as I understand it, which we have adopted in the draft charter. But there's nothing that I --- I don't see any issue with us increasing the size of the board. It's not currently under  
15 contemplation, but a significant part of that reason is that we do believe we need to await the outcome of the Royal Commission, and we need to assess and have regard to recommendations that may emerge from the Royal Commission.

20 So we are not trying to pre-empt it but nor are we saying we are locked in stone at three. I agree with you. It's a big task. I think it's a very high-quality --- I hope it's a high-quality board. I'm one of them, I suppose, so that's probably self-serving, but I hope it's a very high-quality board, and I have no reason to believe we can't do our job well, but we are certainly not adverse to adding directors to that board.

25 COMMISSIONER OWEN: If a view is taken that the true nature of the operations of Burswood Limited is such that it would benefit from having its own set of board committees, not in competition with the Crown Resorts Limited board committees but nonetheless its own set of committees, that would be very difficult to implement with a board of three?  
30

MR McCANN: Yes, I think inevitably they'd be the same people in that situation. So, yes, I agree with that.

35 COMMISSIONER OWEN: My final question is one that came out of the evidence of the chair-elect yesterday. He made it clear that this was his personal view and not something that he had canvassed, I think, with other board members, but the increase in size of the board of CRL by a couple of additional directors, and one of the considerations of that would be geographical, which might open the way for a Perth-based director to go on to the board of CRL. Is that something that you have  
40 contemplated?

MR McCANN: Yes, it is, Commissioner. We haven't, as the chairman-elect referred to, we haven't formed that view, but we have discussed that as a potential  
45 direction.

COMMISSIONER OWEN: Would you see that, if it were to occur, that it might increase, or assist, the argument that the control and management, the effect of control and management of the Burswood entities should reside locally?

MR McCANN: Yes, I can see that existing. I would make one observation, which I think is important to make in the context of this discussion, or two, perhaps. The first is this is clearly a board decision and not mine as an executive, but there will be ongoing discussions around how that ultimately looks and what the right composition is. In the context of governance control and management, the other issue --- and this perhaps goes to the previous question a little bit as well as to what's coming out of the Victorian Royal Commission's recommendations --- we need to ensure that people who are ultimately held accountable for outcomes --- so, for example, me in my role as the CEO of Crown Resorts, I am entirely comfortable with the notion that, whilst I might be able to dodge the bullets from the past, I am entirely responsible and accountable going forward for things that go wrong. For me to be responsible and accountable, I need to be able to be in a position of being able to do my job, which requires control on certain decisions. The same applies, I think, for directors of a public company board. So the way that the various boards are constituted or comprise and the way that the management structures are comprised, I think, needs to be set up in a way that directors can perform their duties appropriately and as can management.

COMMISSIONER OWEN: Thank you, Mr McCann. Anything arising, Ms Cahill?

MS CAHILL: No, thank you.

COMMISSIONER OWEN: Ms Thornton?

MS THORNTON: No, thank you.

COMMISSIONER OWEN: No re-examination.

Mr McCann, thank you very much for making yourself available and thank you very much for your evidence, which has been of assistance to us and we are grateful. Because the situation is a little fluid, I think we should leave the summons in place. I don't think we'll need to speak to you again, but in case we do, I will leave the summons in place, but you are certainly free to resume your normal schedule. Thank you very much. We will adjourn to 10am tomorrow.

**THE WITNESS STOOD DOWN**

40

**HEARING ADJOURNED AT 4.18PM TO WEDNESDAY, 27 OCTOBER 2021 AT 10AM**

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