



REPORT – 22 OCTOBER 2021

Expert Report – Changes to the Risk Management Frameworks and Systems of Crown Resorts Limited

Perth Casino Royal Commission

Prepared by:

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Director

Expert Report 22 October 2021
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1 **INTRODUCTION**

- 1.1 This report has been prepared by Peter Deans, Director and Principal of Notwithoutrisk Pty Ltd trading as Notwithoutrisk Consulting. The report has been prepared at the request of the Solicitors Assisting the Perth Casino Royal Commission (PCRC).
- 1.2 I am an independent risk and strategy consultant. I was previously a Chief Risk Officer, with my last executive role being Group Chief Risk Officer of the Bank of Queensland Limited. I am also a Non-Executive Director of two companies and an industry association. My Curriculum Vitae is attached (Annexure I)
- 1.3 I now operate as a consultant advising companies and other organisations in the areas of risk management. Clients range from small to medium sized, privately owned businesses to large, publicly listed groups. The clients are from a range of industries including banking and financial services, private equity and investment management, manufacturing, real estate, and technology. The consulting services offered cover a range of services related to the development and implementation of risk management frameworks, the development of risk appetite statements, the identification, assessment and reporting of business risks, the design of risk management functions, and risk management reporting.
- 1.4 The report is not to be used for any other purpose. Neither Notwithoutrisk Pty Ltd nor I accept any liability or responsibility for loss incurred or suffered as a result of the presentation, circulation, publication, quotation or other use of this report.
- 1.5 The opinions, statements and other material contained in this report are given on the basis of the documentation I have reviewed and have been made in good faith. Other than specifically stated in the report I have not undertaken any detailed review, audit or due diligence of Crown Resorts Limited, its subsidiaries (including Burswood Nominees Limited), its business operations, or the industry(ies) in which it operates.
- 1.6 Neither Notwithoutrisk Pty Ltd nor I have provided any services or had any prior involvement with Crown Resorts Limited and its subsidiaries.

A. Scope of the Report

- 1.7 I was instructed by the Solicitors Assisting the Royal Commission into the Casino Operator and Licence in the State of Victoria to prepare an expert report on the risk management frameworks and systems of Crown Resorts Limited (“Crown Resorts” or the “Group”). In the completed report, dated 29 June 2021¹ (the “Expert Report dated 29 June 2021”), I made 22 recommendations that, in my opinion, would enhance or improve the risk management frameworks and systems of Crown Resorts.
- 1.8 I have been instructed by the Solicitors Assisting the PCRC to review the materials provided in relation to Crown Resorts’ response to the recommendations in the Expert Report dated 29 June 2021 and comment on whether or not that response, if it were to be implemented by Crown Resorts, would result in an effective and robust risk management framework or system. The specific Questions asked for each recommendation are detailed in the Instructions attached in Annexure III.
- 1.9 I have been provided documentation in electronic forms in relation to Crown Resorts’ governance, business activities and risk management policies, practices, and processes. The documents are listed in Annexure II. I have not reviewed in any detail those documents that I do not consider relevant to forming and expressing a view in relation to the Questions.
- 1.10 I have made all enquires that I believe are desirable and appropriate and that no matters of significance which I regard as relevant have, to my knowledge, been withheld from the PCRC.

B. Overview of the Report

- 1.11 The report is structured into three sections:
- Section 1 (this section) – the scope and an overview of the report.
 - Section 2 – each recommendation is listed in the order detailed in the 29 June 2021 Expert Report with (i) the Question(s) asked by the Solicitors Assisting the PCRC and (ii) my answer(s)
 - Section 3 – a concluding section that summarises my observations and overall view of the impact of the proposed action by Crown Resorts on the robustness and effectiveness of the risk management frameworks and systems of Crown Resorts.

¹ Expert Report on the Risk Management Frameworks and Systems of Crown Resorts Limited, 25 June 2021 (COM.0007.0002.0001)

2 EXPERT REPORT DATED 29 JUNE 2021 - RECOMMENDATIONS

- 2.1 In the paragraphs that follow in this section, I reference the status of each Recommendation that is recorded in the third column of the table of the Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (the “CRO Memorandum dated 27 September 2021”)² titled “Status”. This Memorandum states that its purpose is to inform Crown Resorts’ Risk Management Committee of the progress with implementation of the recommendations from the Expert Report dated 29 June 2021.
- 2.2 The status recorded in the third column for each Recommendation is either “Done” or “Underway”. In reading the comments recorded in the fourth column titled “Progress”, I would note that, in my opinion, the status of Underway may cover (i) a Recommendation where an activity has commenced but the work has not yet been completed or (ii) a Recommendation where an activity has been identified to be completed in the future but may not yet have commenced.
- 2.3 In the paragraphs that follow in this section, I provide the comments on the status of each Recommendation and any relevant comments or observations on the particular Recommendation.
- 2.4 I have also been asked by the Solicitors Assisting the PCRC to consider, for certain Recommendations, if the Recommendation was not adopted and implemented by the Crown Group, would this render Crown Resorts’ risk management framework and system not an effective and robust system. These Recommendations are 1 to 8, 16 to 19, and 21.
- A. **Risk Management Governance**
- i. **Risk Management Committee Charter**
- 2.5 **Recommendation 1.** This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

² Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113)

- “Expand the “Introduction and background” of the Risk Management Committee Charter to explicitly state the purpose of the Risk Management Committee. At present, the Charter focuses on the Risk Management Committee’s role in overseeing the Risk Management and Compliance Frameworks. In my opinion, it would be more appropriate to state that Risk Management Committee’s role is to provide objective review and oversight of the management of risk across the Group, to support the setting of risk appetite by the Group’s Board, the monitoring of risk appetite and overall risk profile of the Group, and the design, implementation, and operation of the Group’s risk management frameworks.”
- 2.6 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway³. The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. There are no details provided on the proposed amendments to, or content of, the draft charter.
- 2.7 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.8 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts’ risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the existence of the current charter, the expected conduct of each Risk Management Committee by the Chair and its members, and the periodic reporting by management to the Risk Management Committee should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part.
- 2.9 Recommendation 2: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

³ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113)

- “Insert into the Risk Management Committee Charter a new section outlining the role of the Chair of the Risk Management Committee. This should include the Chair’s key roles in managing the Risk Management Committee’s responsibilities, liaising with the Board, Audit and Corporate Governance and other relevant Committees, and liaising with the CRO. This section should also outline the Chair’s role in agreeing with the other committee members and management a scheduled of regular agenda of items for meeting during a year. This is usually referred to as a rolling agenda. In my experience it is common for board risk committees to review and discuss a specific category of risk, in depth, at a designated meeting each year. This has several benefits including giving committee members the opportunity to gain a deeper understanding of a particular category of risk, the opportunity to question the executives and managers in more detail on the nature of the risk, and to discuss any new or emerging issues in relation to the particular risk. For Crown Resorts, these regular items could include the performance of the AML/CTF program, financial crime, the Group’s cyber security risk profile, workplace health and safety, resourcing and performance of the risk management function, and the external regulatory environment.”

2.10 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway⁴. The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. In addition, this Memorandum notes that a RMC (Risk Management Committee) work plan or rolling agenda is being “reviewed” and the inclusion of “risk deep dives” is being “investigated”. There are no details provided on the what the work plan or rolling agenda will include.

⁴ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2114)

- 2.11 I note from my review of the papers for the 25 March 2021 Risk Management Committee there was a Cyber Security Review⁵ included. In addition, the papers for the 11 August 2021 Risk Management Committee⁶ included updates on the Financial Crime & Compliance Change Program and the Group's AML/CTF Program. These are examples of items that, in my opinion, would be included in a rolling agenda or work plan. The existence of these items is evidence, in my opinion, that Crown Resorts understands the nature of the Recommendation and should be able to schedule and undertake any deep dives.
- 2.12 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.13 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts' risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the existence of the current charter, the expected conduct of meeting by the Chair and its members, and the periodic reporting by management to the Risk Management Committee should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part.
- 2.14 Recommendation 3: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:
- "Insert into the Risk Management Committee Charter a new section outlining role of the Risk Management Committee in overseeing the resourcing, operation, and effectiveness of the Risk Management Function. This section should include provisions detailing the role of the Committee in the appointment and termination of the CRO, ensuring the adequate resourcing of the Risk Management Function, the communication protocols (formal and informal) between the CRO and the Risk Management Committee, and reviewing the operation and effectiveness of the Risk Management Function led by the CRO."

⁵ Risk Management Committee Meeting, 25 March 2021 (CRW.512.004.0001 at .0014)

⁶ Risk Management Committee Meeting, 11 August 2021 (CRW.701.006.3392)

- 2.15 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway⁷. The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. As noted in Section 2.6, there are no details provided on the proposed amendments to, or content of, the draft charter.
- 2.16 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.17 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts' risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the existence of the current charter, the expected conduct of meeting by the Chair and its members, and the periodic reporting by management to the Risk Management Committee should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part. However, were the Risk Management Committee not to require reporting or make enquiries on the resourcing, operation, and effectiveness of the Risk Management Function and if the Risk Management Function was in fact deficient in some manner, then, in my opinion, Crown Resorts' risk management framework and system may cease to be an effective and robust system.
- 2.18 Recommendation 4:
- "Insert into the Risk Management Committee Charter a new section outlining the role of the Risk Management Committee in relation to matters raised by internal or external audit. This section should outline the roles and responsibilities and related protocols for assessment, monitoring and resolution of any such matters that may arise. The objective of this recommendation is to ensure that it is clear how audit issues are resolved and the relative roles of the Risk Management Committee and Audit and Corporate Governance Committee."

⁷ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2114)

- 2.19 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway⁸. The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. As noted in Section 2.6, there are no details provided on the proposed amendments to, or content of, the draft charter.
- 2.20 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.21 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts' risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the existence of the current charter, the expected conduct of meeting by the Chair and its members, the periodic reporting by management and the Internal Audit function to the Risk Management Committee and the changes made to the charter of the Audit and Corporate Governance Committee should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part.
- 2.22 Recommendation 5: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:
- "Include in the current Section 4 (Proceedings) of the Risk Management Committee Charter explicit invitations to the Committee meetings for the CEO, CRO, CFO and Group General Manager - Internal Audit."
- 2.23 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway⁹. The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. As noted in Section 2.6, there are no details provided on the proposed amendments to, or content of, the draft charter.
- 2.24 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.

⁸ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2114)

⁹ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2114)

- 2.25 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts' risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the existence of the current charter, the existence of the Risk Management Framework, the current and expected future conduct of meeting by the Chair and its members, and the periodic reporting by management to the Risk Management Committee should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part.
- 2.26 Recommendation 6: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:
- 2.27 "Insert into the Risk Management Committee Charter a new section that explicitly requires Risk Management Committee members to meet with the CRO, the Head of Internal Audit and Head of Compliance, without management present, on at least an annual basis."
- 2.28 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway¹⁰. The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. As noted in Section 2.6, there are no details provided on the proposed amendments to, or content of, the draft charter.
- 2.29 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.30 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts' risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the expected conduct of meeting by the Chair and its members, the existence of the Risk Management Framework, the periodic reporting by management and the Internal Audit function to the Risk Management Committee and the changes made to the charter of the Audit and Corporate Governance Committee Audit function should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part.

¹⁰ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2114)

2.31 Recommendation 7: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

- “Expand Section 3 (Duties, responsibilities and powers) to explicitly include oversight, review and assessment of a number of key items of the management of risk in the Risk Management Strategy. There are number of important responsibilities and activities detailed in the Risk Management Strategy that have been delegated to the CRO and/or management. The items to be included are receiving and reviewing an independent report (at least once every three years) on the appropriateness, effectiveness, and adequacy of the RMS, having the Risk Management Committee satisfy itself that the RMS continues to be sound, and having the Risk Management Committee satisfy itself that the Group is operating within the risk appetite set by the board.”

2.32 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway¹¹. The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. As noted in Section 2.6, there are no details provided on the proposed amendments to, or content of, the draft charter.

2.33 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.

2.34 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts’ risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the existence of the current charter, the existence of the Risk Management Framework, the expected conduct of meeting by the Chair and its members, and the periodic reporting by management to the Risk Management Committee should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part.

2.35 Recommendation 8: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

¹¹ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2114)

- 2.36 “Insert into the Risk Management Committee Charter a new section outlining the Risk Management Committee’s role with respect to risk culture within the Group. At present there is only one reference to risk culture in the Charter. This refers to the Risk Management Committee’s role in “challenging and driving a risk and compliance culture at Crown”. In my opinion, it would be more appropriate for the role to be expanded to include responsibility for assisting management establishing and maintaining a sound risk culture, reviewing and assessing risk culture from time to time (including the use of independent, external reviews commissioned by the Risk Management Committee or management), forming a view on the Group’s risk culture with respect to the Group’s risk appetite and reporting to the board on risk culture-related matters.”
- 2.37 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway¹². The CRO Memorandum dated 27 September 2021 notes that a revised draft charter for the Risk Management Committee will be presented to a planned November 2021 meeting. As noted in Section 2.6, there are no details provided on the proposed amendments to, or content of, the draft charter.
- 2.38 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.39 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I do not consider that it is likely to render Crown Resorts’ risk management framework and system to not be an effective and robust system. The existence of the Risk Management Committee, the existence of the current charter, the expected conduct of meeting by the Chair and its members, the existence of the Risk Management Framework, the existence of the Risk and Compliance Culture Framework¹³ and the periodic reporting by management to the Risk Management Committee should, in my opinion, adequately compensate for this Recommendation not being adopted in full or in part.

¹² Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2115)

¹³ Crown Resorts Risk and Compliance Culture Framework, March 2021 (CRW.512.010.0302)

ii. Audit and Corporate Governance Committee Charter

2.40 Recommendation 9: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

- “It is recommended that the Group expand the “Introduction and background” of the Audit and Corporate Governance Committee Charter to better articulate the role of the Audit and Corporate Governance Committee. At present, the Audit and Corporate Governance Committee Charter predominantly focuses on the Audit and Corporate Governance Committee’s role in financial reporting and taxation matters. There is limited detail on its role in handling internal and external audit matters. In my opinion, in order to increase the effectiveness of the Audit and Corporate Governance Committee and the operation of the three lines of defence across the Group, it would be appropriate to articulate the Audit and Corporate Governance Committee’s role in regard to the internal control framework for the Group, the role and performance of the internal audit function, the interaction with the external auditor on matters other than financial reporting and taxation, its role in the Group’s RMS, and interaction with the Risk Management Committee.”

2.41 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Done¹⁴, noting that a new Audit and Corporate Governance Committee Charter was approved in August 2021¹⁵. This Memorandum notes that all recommendations have been adopted with the exception of defining its role in the Group’s RMS.

2.42 In view of the inclusion of the wording with respect to its roles in with respect to, inter alia, oversight of financial controls and the internal audit function, I do not consider the failure to include this as a material deficiency. In my opinion, the new Audit and Corporate Governance Committee Charter is a significant, positive enhancement to Crown Resorts’ risk management framework and system.

2.43 I have concluded, based on my review of the materials provided, that Crown Resorts has sufficiently and adequately adopted the Recommendation made.

2.44 Recommendation 10: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

¹⁴ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2115)

¹⁵ CRW.701.005.9471

- “Insert into the Audit and Corporate Governance Committee Charter a new section outlining in detail the relationship between the internal audit function and the Audit and Corporate Governance Committee. At present, there is only one reference to the Audit and Corporate Governance Committee’s relationship with the internal audit function. The relevant reference states that “the Committee will oversee the process for, and receive periodic updates on, internal audit processes”. Based on my knowledge and understanding of the operation of audit subcommittees and their interaction with an internal audit function, it would be appropriate to detail the Audit and Corporate Governance Committee’s oversight of and interaction with the internal audit function, the reporting line(s) of the internal auditor, the processes to oversee and endorse the annual audit plan proposed by internal audit and management, and the role and performance of the internal audit function.”

2.45 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Done¹⁶, noting that a new Audit and Corporate Governance Committee Charter was approved in August 2021¹⁷. The new Audit and Corporate Governance Committee Charter includes wording with respect to its role and relationship with the internal audit function.

2.46 I have concluded, based on my review of the materials provided, that Crown Resorts has sufficiently and adequately adopted the Recommendation made.

2.47 Recommendation 11: This recommendation of the Expert Report dated 29 June 2021 recommended stated:

- “It is recommended that the Group insert into the Audit and Corporate Governance Committee Charter a new section outlining the role of the Committee in overseeing the resourcing, operational and effectiveness of the internal audit function. This section should include a provision detailing the role of the Committee in the appointment and termination of the internal auditor, ensuring the adequate resourcing of the internal audit function, the communication protocols (formal and informal) between the internal auditor and the Audit and Corporate Governance Committee, and reviewing the operation and effectiveness of the internal audit function.

¹⁶ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2115)

¹⁷ CRW.701.005.9471

2.48 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Done, noting that a new Audit and Corporate Governance Committee Charter was approved in August 2021¹⁸. The new Audit and Corporate Governance Committee Charter includes wording with respect to its role and relationship with the internal audit function. Crown Resorts did not however choose to include a specific comment on informal communication between the internal audit function and the Audit and Corporate Governance Committee. I consider that this was a relatively minor point in my Recommendation, and I do not believe the failure to include this is a material deficiency. Its absence does not, in itself, preclude informal communication from taking place.

2.49 I have concluded, based on my review of the materials provided, that Crown Resorts has sufficiently and adequately adopted the Recommendation made.

2.50 Recommendation 12: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

- “It is recommended that the Group consider including in the Audit and Corporate Governance Committee Charter the inclusion of a requirement to periodically obtain an external assessment on the adequacy and effectiveness of the Group’s internal audit function and processes.”

2.51 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Done¹⁹, noting that a new Audit and Corporate Governance Committee Charter was approved in August 2021²⁰. The new Audit and Corporate Governance Committee Charter includes wording in Section 3.5 (g) that requires that the Committee “Ensure that an external independent quality assessment of Internal Audit, against the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing, is conducted at a minimum once every five years.” I concur with the position that Crown Resorts has adopted that an external independent quality assessment of Internal Audit be undertaken at a minimum once every five years. This requirement is detailed in the Institute of Internal Auditors’ International Standards 1300²¹.

¹⁸ CRW.701.005.9471

¹⁹ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2115)

²⁰ CRW.701.005.9471

²¹ Institute of Internal Auditors’ International Standards, <https://na.theiia.org/standards-guidance/Public%20Documents/IPPF-Standards-2017.pdf>

2.52 I have concluded, based on my review of the materials provided, that Crown Resorts has sufficiently and adequately adopted the Recommendation made.

2.53 Recommendation 13: This recommendation of the Expert Report dated 29 June 2021 stated:

- “It is recommended that the Group insert into the Audit and Corporate Governance Committee Charter a new section outlining the role of the Audit and Corporate Governance Committee in relation to specific matters or issues raised by internal or external audit. This section should outline the roles and responsibilities and related protocols for assessment, monitoring and resolution of any such matters or issues that may arise. The objective of this recommendation is to ensure that it is clear how audit issues are resolved and the relative roles of the Audit and Corporate Governance Committee and any other relevant committees that the board may have delegated responsibility to for the relevant area that the matter raised relates to.”

2.54 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Done²², noting that a new Audit and Corporate Governance Committee Charter was approved in August 2021²³. The new Audit and Corporate Governance Committee Charter includes wording in Section 3.5 (h) that requires that the Committee to “Review and monitor management’s responsiveness to Internal Audit’s finding and recommendations, including any requests from management for extensions to previously agreed timeframes for remediation action(s).”

2.55 I have concluded, based on my review of the materials provided, that Crown Resorts has sufficiently and adequately adopted the Recommendation made.

2.56 Recommendation 14: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

- “It is recommended that the Group consider including in the Membership of the Committee a requirement that the Chair of the Risk Management Committee be a member of the Audit and Corporate Governance Committee. This should enable the free flow of information between the Audit and Corporate Governance Committee and Risk Management Committee, and facilitate the efficient workings of both committees, thereby assisting the management of risk across the Group.”

²² Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2115)

²³ CRW.701.005.9471

- 2.57 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Done²⁴, noting that a new Audit and Corporate Governance Committee Charter was approved in August 2021²⁵. The new Audit and Corporate Governance Committee Charter includes the requirement that “To enable the free flow of information between the Committee and the Crown Resorts Risk Management Committee, there should be at least one member in common across the two committees.” Whilst Crown Resorts has not stipulated that the common member be the Chair of the Risk Management Committee, I am of the view that any member will suffice. I concur with Crown Resorts that this requirement should give the ability for the free flow of information between the two committees to occur.
- 2.58 I have concluded, based on my review of the materials provided, that Crown Resorts has sufficiently and adequately adopted the Recommendation made.
- 2.59 Recommendation 15: This recommendation of the Expert Report dated 29 June 2021 stated:
- “It is recommended that the Group insert into the Audit and Corporate Governance Committee Charter a new section outlining role of the Audit and Corporate Governance Committee in relation to reviewing the processes and controls that support management certifications for the Group’s half-year and full-year financial reporting, management’s report on risk management and internal controls over financial reporting processes, and any external audit reporting or comment thereof.”
- 2.60 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Done²⁶, noting that a new Audit and Corporate Governance Committee Charter was approved in August 2021²⁷. The new Audit and Corporate Governance Committee Charter includes the new roles and responsibilities with respect to internal controls and financial reporting in Section 3.6.
- 2.61 I have concluded, based on my review of the materials provided, that Crown Resorts has sufficiently and adequately adopted the Recommendation made.

²⁴ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2116)

²⁵ CRW.701.005.9471

²⁶ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2116)

²⁷ CRW.701.005.9471

iii. Internal Audit Function

2.62 Recommendation 16: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:

- “It is recommended that the reporting lines of the Group General Manager – Internal Audit to the Crown Resorts board and subcommittees be reviewed, clarified, and documented in the Position Description for this role. In addition, it is recommended that expanded commentary on the relationships and interactions with Crown Resorts’ Board, the Audit and Corporate Governance Committee, the Risk Management Committee, and the audit committees of the subsidiary companies (as appropriate) be included in the Position Description. It is also important, in my opinion, that the Position Description is aligned with the contents of the RMS and the Audit and Corporate Governance Committee Charter in regard to internal audit.”

2.63 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway²⁸. The CRO Memorandum dated 27 September 2021 states that “The update of the Position Description is being led by the People team” and that “A draft has been prepared and is currently being reviewed”. No details have been provided on the likely form or contents of the Position Description.

2.64 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.

2.65 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I consider that it is possible that it will render Crown Resorts’ risk management framework and system to not be an effective and robust system. In my opinion, it is critical that the roles and responsibilities and reporting lines of the Group General Manager – Internal Audit are documented to ensure the independence and mandate of the Internal Audit function is clear.

²⁸ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2116)

B. **Risk Management Framework**

2.66 **Recommendation 17:** This recommendation of the Expert Report dated 29 June 2021 recommended that:

- “Crown Resorts should develop a standalone Risk Appetite Statement (RAS), separate to the RMS. The RAS should have risk appetite for all business risks documented in greater detail than at present in the RMS. The RAS should have in more granular detail the governance protocols for periodically reviewing and assessing changes to risk appetite in response to changes in the Group’s risk profile arising from changes to the internal or external environment.”

2.67 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway²⁹. The CRO Memorandum dated 27 September 2021 states that “Standalone and revised RAS will be presented to RMC at the November meeting”. There are no details provided on what the standalone RAS will comprise. In reviewing the various materials and writing the Expert Report dated 29 June 2021, I considered this to be a critical initiative that will, if correctly designed and implemented, be one of the key factors in having a fit for purpose, risk management framework.

2.68 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.

2.69 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I consider that it is possible that it will render Crown Resorts’ risk management framework and system to not be an effective and robust system. In my opinion, it is critical that Crown Resorts has risk appetite for all business risks documented in greater detail than at present in the RMS. In addition, the governance protocols for periodically reviewing and assessing changes to risk appetite by the Risk Management Function and the Risk Management Committee should be documented to ensure that Crown Resorts is able to respond to changes to the internal or external environment.

2.70 **Recommendation 18:** This recommendation of the Expert Report dated 29 June 2021 stated:

²⁹ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2116)

- “The RMS currently states that “the Risk Matrix is updated by the Risk Management Function and is approved by the CEO for Crown Resorts and the CEOs or equivalent for the wholly owned subsidiaries”. I that (sic) recommend that, consistent with what I believe is industry practice, the Group’s Risk Matrix and its underlying methodology be reviewed and approved annually by the Risk Management Committee.”

2.71 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway³⁰. The CRO Memorandum dated 27 September 2021 states that the “risk matrix review will be incorporated into the RMC workplan”. As the work plan or rolling agenda has not been developed, I would consider this Recommendation has, in effect, not yet started. In view of the observations I made in the Expert Report dated 29 June 2021 in Sections 3.53 to 3.62³¹, I am of the opinion that this review is an important matter to be undertaken.

2.72 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.

2.73 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I consider that it is possible that it will render Crown Resorts’ risk management framework and system to not be an effective and robust system. In my opinion, it is critical for the Risk Management Committee to have visibility of, and approve, the underlying methodology that drives the assessment, management and reporting of business risks.

2.74 Recommendation 19: This recommendation of the Expert Report dated 29 June 2021 recommended that:

- “The specific roles and responsibilities of the subsidiary boards in relation to risk management should be confirmed by the Risk Management Committee. If necessary, the RMS should be amended to reflect the specific roles of the subsidiary boards and the exact nature of their relationships, and interaction with, the Risk Management Committee and Audit and Corporate Governance Committee.”

³⁰ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2116)

³¹ COM.0007.0002.0001 at .0024

- 2.75 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway³². The CRO Memorandum dated 27 September 2021 states that “the RMC Charter and RMS are being reviewed to incorporate the roles and responsibilities of the subsidiary boards. Revised versions will be presented to RMC at the November meeting”. There are no details provided on the revisions and I am unable to opine on the adequacy of any changes contemplated.
- 2.76 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.77 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I consider that it is possible that it will render Crown Resorts’ risk management framework and system to not be an effective and robust system. In my opinion, the nature of the Group’s activities and operation of the subsidiary companies gives rise to complexity in the management of business activities and their respective risks therein. Furthermore, I am of the opinion that it is critical that the roles and responsibilities of the subsidiary boards in the Group’s governance be understood and documented.

C. **Risk Management Reporting**

- 2.78 Recommendation 20: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:
- “A larger set of risks be reported to the Risk Management Committee on a half yearly basis than the current risks documented in the RMS. The Excel spreadsheet titled Crown ERCC Corporate Risk Profile Annual Review November 2020 details a list of 24 risks. I understand this was used as the basis of the Crown Melbourne Corporate Risk Profile presented to the Crown Melbourne Limited Audit Committee in November 2019. This content should form the basis of more frequent and detailed reporting to the Group’s Risk Management Committee. The Risk Management Committee should be presented with the opportunity to review and discuss all business risks that have an inherent high rating and that are reliant on controls to remain within risk appetite, in future.”

³² Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2116)

2.79 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway³³. The CRO Memorandum dated 27 September 2021 states that “The Corporate Risk Profile will be presented on a more frequent basis to the RMC. This will be reflected in the workplan”. From my review of the papers of the meeting of the Risk Management Committee held on 11 August 2021³⁴, I have been able to identify evidence of an updated Corporate Risk Profile (dated July 2021) being presented and discussed. Without having a first-hand understanding of Crown Resorts’ business activities around that date, I am unable however to opine on whether the Corporate Risk Profile adequately reflects and summarises the Crown Resorts’ risk profile at the point in time represented.

2.80 I have concluded, based on my review of the materials provided, that Crown Resorts has adopted the Recommendation made. As noted in Section 2.79, without a detailed first-hand understanding of Crown Resorts’ business activities at the point in time the Corporate Risk Profile dated July 2021 was compiled I am unable to state whether Crown Resorts has sufficiently and adequately adopted the Recommendation made.

2.81 Recommendation 21: This recommendation of the Expert Report dated 29 June 2021 recommended that:

- “The Risk Management Committee and management should develop and agree on a suite of Group-wide qualitative measures to better monitor and report if the Group is operating within or outside risk appetite. These qualitative measures should be reported monthly to the ERCC, the subsidiary boards and the Risk Management Committee. At each scheduled Risk Management Committee, a report from management should specifically detail progress being made to bring the relevant risk issue back within appetite. This should be the subject of discussion and challenge from the Risk Management Committee, minuted, and actioned for follow up at a future meeting.”

³³ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2117)

³⁴ Risk Management Committee Meeting, 11 August 2021 (CRW.701.006.3392 at .3451)

- 2.82 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway³⁵. The CRO Memorandum dated 27 September 2021 states that “A revised Risk Profile template to complement the proposed RAS will be presented to the November RMC meeting”. There are no details provided on the revisions and I am unable to opine on the adequacy of any changes contemplated.
- 2.83 I also note that there is a reference in the CRO Memorandum dated 27 September 2021³⁶ to organising a meeting with Mr Dean (sic) to discuss the monthly reporting aspect of the recommendation. I have not had any approaches by, or contact with, Crown Resorts on this matter.
- 2.84 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As at the date of this report, the Recommendation has not yet, however, been implemented.
- 2.85 If this Recommendation is either not implemented at all or not implemented in sufficient detail or in an effective manner, I consider that it is possible that it will render Crown Resorts’ risk management framework and system to not be an effective and robust system. In my opinion, it is important for Crown Resorts’ management and the Risk Management Committee to receive reporting that enables both groups to monitor and understand if Crown Resorts is operating within or outside risk appetite.

D. **External Reviews**

- 2.86 Recommendation 22: This recommendation of the Expert Report dated 29 June 2021 recommended that Crown Resorts:
- “It is recommended that the Group commissions an independent review of the effectiveness of its risk management frameworks, at a time at which it can reasonably expect the various enhancements to business and risk management practices to be embedded and working. It is noted that the Group has stated plans to undertake this review in 2022. This is supported.”

³⁵ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2117)

³⁶ Memorandum from Anne Siegers to Risk Management Committee dated 27 September 2021 (CRW.701.009.2113 at .2117)

- 2.87 The CRO Memorandum dated 27 September 2021 records the status of this Recommendation as Underway. The CRO Memorandum dated 27 September 2021 states that “an independent review of the Risk Management Framework is planned for 2022. It will be coordinated as part of the Internal Audit plan to ensure independence.”
- 2.88 I have concluded, based on my review of the materials provided, that Crown Resorts intends to adopt the Recommendation made. As I noted in my Recommendation, I support Crown Resorts undertaking this review in 2022.

3 CONCLUSIONS

- 3.1 Based on my review of the materials, Crown Resorts has agreed to adopt all 22 Recommendations in the Expert Report dated 29 June 2021.
- 3.2 The Recommendations pertaining to the Risk Management Committee Charter have been agreed to by Crown Resorts with an updated Charter to be tabled at a planned meeting of the Risk Management Committee meeting in November 2021.
- 3.3 The recommendation included in Recommendation 2. that the Risk Management Committee develop a rolling agenda (or work plan as the Crown Resorts Chief Risk Officer named it) has been agreed to. However, no rolling agenda has been provided. In addition, no time frame was specified for the development of the rolling agenda.
- 3.4 The Recommendations pertaining to the Audit and Risk Management Committee Charter have been agreed to and implemented by Crown Resorts. An updated Charter was approved in August 2021.
- 3.5 The remaining Recommendations relate to the Position Description of the Group General Manager – Internal Audit, the Risk Management Framework, Risk Management Reporting and an Independent Review of the effectiveness of Crown Resorts' risk management frameworks. These Recommendation have not yet been implemented by Crown Resorts but, as noted in Section 3.1, Crown has agreed to adopt all Recommendations.
- 3.6 In my opinion, there are several critical items in the Recommendations designated as Underway, that remain yet to be undertaken, developed and/or approved. I consider that finalisation of the Position Description of the Group General Manager – Internal Audit (Recommendation 16), the development of a more granular RAS (Recommendation 17), the review of the risk matrix (Recommendation 18), and the specific roles and responsibilities of the subsidiary boards (Recommendation 19) are critical to demonstrating that Crown Resorts has risk management systems that are capable of being robust and effective, in my opinion.

END OF REPORT