

Appendix

Independent investigation findings into allegations broadcast on Four Corners

Allegation one:

“VCGLR management instructed inspectors at Crown Casino that it was not their responsibility to act on criminal activity discovered at the Casino, including, but not limited to:

- a. loan sharking in the gaming pit
- b. drug deals in the casino.”

Finding 9 (page 143):

“There is no credible evidence that VCGLR management instructed inspectors at Crown Casino that it was not their responsibility to act on criminal activity discovered at the Casino, including, but not limited to loan sharking in the gaming pit; or drug deals in the casino.”

The Investigation further concluded on page 9, paragraph 28:

“To the contrary, an appropriate system has been in operation which involves the VCGLR referring such matters to appropriate criminal investigation agencies where inspectors make observations or investigations that identify suspicious activity. This occurs through the Intelligence Unit of the VCGLR. It is important to identify that the VCGLR does not hold any functions pursuant to legislation in relation to investigation of criminal activity. There is an important distinction between a regulatory body and criminal investigation body.”

And on page 109, paragraph 21:

“...it seemed to us that the comments made in the Four Corners programme about the VCGLR’s alleged lack of activity in relation to criminal conduct may have been somewhat underpinned by the inspectors’ preference towards the inspector role being a more ‘hands-on’ role which incorporates intelligence/investigation activities. This may have been the practice of former gambling regulators. However, there have been appropriate shifts in regulatory approaches which require clear delineation of roles. It is appropriate that the VCGLR has centralised intelligence and investigative functions, albeit that it has retained flexibility so as to enable individual inspectors to continue inquiries in an investigative role, where appropriate and where authorised.”

And page 109, paragraph 23:

As we have already indicated, the VCGLR is a regulator and not a law enforcement agency. It has no statutory power to investigate crimes and enforce the criminal law. As such, the process that the VCGLR undertakes – one of the reporting and dissemination of relevant intelligence to law enforcement agencies, is appropriate.

<p>Allegation two.</p> <p>“Crown Casino exercised undue influence and/or control over the activities of the VCGLR inspectors at the Casino, such that in effect “Crown were running [the] office”.</p>	<p>Finding 13 (Page 144):</p> <p><i>“There is no credible evidence that Crown Casino exercised undue influence and/or control over the activities of the VCGLR inspectors at the Casino, such that in effect ‘Crown were running [the] office’. “</i></p>
<p>Allegation three.</p> <p>“The inspectors were forced to keep “dirty secrets” with respect to Crown Casino or there might have been negative repercussions, including “being fined or los[ing] our jobs”.</p>	<p>Finding 14 (Page 144):</p> <p><i>“There is no credible evidence that VCGLR inspectors were forced to keep ‘dirty secrets’” with respect to Crown Casino ‘under threat of negative repercussions, including being fined or losing their jobs’.</i></p> <p>The Investigation further concluded (page 122, paragraph 7):</p> <p><i>“Additionally, we have found no evidence of a culture at the VCGLR where a person would ‘lose their job’ for speaking up. In fact, we consider the opposite is the case and that the current representatives of VCGLR management are receptive and responsive to feedback, be it positive or negative, provided it is constructively expressed.”</i></p>
<p>Allegation four.</p> <p>“The VCGLR repeatedly gave Crown Casino “what it wanted”.</p>	<p>Finding 5 (page 143):</p> <p><i>“The assertions that the VCGLR repeatedly gave Crown what it “what it wanted” in relation to junket operations and that the taxes the Casino pays to the State government had any bearing in respect of the proper regulation of junket operations are not supported by evidence.”</i></p>
<p>Allegation five.</p> <p>“Nothing was done by the VCGLR with an inspector’s report into the investigation into the use of counterfeit notes at Crown Casino”</p>	<p>Finding 15 (page 144):</p> <p><i>“No formal report was generated by a VCGLR inspector in relation to the issue of counterfeit money. However, there is no evidence that the issue of counterfeit money and chips is not adequately monitored by Crown Casino.”</i></p> <p>The Investigation further concluded (Page 10, Para 33):</p> <p><i>“There has been no specific VCGLR investigation in relation to counterfeit notes at the Casino. However, there is no basis for legitimate criticism in relation to this, as counterfeit notes at the Casino are not considered to be a high risk activity...”</i></p>

<p>Allegation six.</p> <p>“There were many shifts during the relevant time frame where Crown Casino had no inspector from the VCGLR, and this is “still happening”.</p>	<p>Finding 16 (page 144):</p> <p><i>“There have been occasional shifts between 2012 and 2021 when no inspector from the VCGLR has been on duty at Crown Casino, and this sometimes still happens if rostering problems arising from illness or recreational leave do not give any other option This can be readily explained by the fact that there is currently a team of 11 staff (8 of which are inspectors) who manage a presence at the Casino 24 hours a day, 7 days a week for 362 out of 365 days a year.”</i></p> <p>The Investigation further concluded (page 10, paragraph 37):</p> <p><i>“There have been some shifts between 2012 and 2021 when no inspector from the VCGLR has been present at Crown Casino because of rostering issues or leave requirements (including sick leave). Rostering problems because of illness or recreational leave still occasionally happen and on occasion an inspector may not be present for a time at the Casino.”</i></p>
<p>Allegation seven.</p> <p>“During the relevant timeframe “junket audits” were rarely done on Crown Casino, including that from about late 2013 audits stopped for close to a year and this was because inspectors were told not to do any audits because a review, including a review of junket audits, was going to be undertaken by the VCGLR.”</p>	<p>Finding 6 (page 143):</p> <p><i>“The concerns expressed by the Inspectors on the Four Corners episode about the lack or cessation of junket auditing in or about 2013 are substantiated. Auditing at the Casino substantially reduced or ceased for a period around 2013-2014.”</i></p> <p>The Investigation further concluded (page 8, paragraph 23):</p> <p><i>In 2017, a report by the Victorian Auditor-General’s Office (VAGO) titled Regulating Gambling and Liquor (the 2017 VAGO Report) made a series of very serious criticisms of the VCGLR, including around its approach and performance of its regulatory responsibilities. Since that time the VCGLR has been suitably responsive. Amongst the changes implemented by the VCGLR has been the creation of a dedicated Casino team and the prioritisation and implementation of a risk-based approach to auditing. This has meant that some audits carried out by the VCGLR at the Casino have been ceased or reduced because they have been assessed by the VCGLR as not being in respect of sufficiently high risk conduct by the casino operator. However, new audits have been created for new and higher risk activities. This is a basis for commendation, not criticism.</i></p> <p>And on page 63, paragraphs 12, and 14:</p> <p><i>“In addition, we note that, as set out above, the 2017 VAGO report concluded that in late 2013, a Compliance Division manager overseeing activities at the Casino directed inspectors to stop doing routine audits and inspections while the templates for these activities were reviewed. However, this review did not proceed as it was</i></p>

	<p><i>superseded by other planned reviews, and the program of routine inspections and audits did not restart until around September 2014 when a new manager began at the Casino.”</i></p> <p><i>“Despite this substantiated finding, we make the observation that since 2012 the audits conducted at the Casino have progressively refocused on the basis of risk and harm minimisation principles. This has meant that some areas of prioritised audits have dropped away. We regard this change in focus to be justified and constructive.”</i></p>
<p>Allegation eight.</p> <p>“The VCGLR was doing little to scrutinise or undertake proper probity of the individuals linked to junkets who were coming to the casino and gambling hundreds of millions of dollars in Crown Casino’s private rooms.”</p>	<p>Finding 3 (page 142):</p> <p><i>“The previous Internal Control Statements in relation to junkets and premium players that commenced in 2011 and in December 2015 were significantly inadequate in relation to probity requirements in relation to junket operators, junket players and premium players. Despite the 2015 Internal Control Statement importing a probity requirement, a positive measure, these deficits in the 2011 and 2015 Internal Control Statements detracted from the ability of the VCGLR to evaluate whether the probity checks required to be undertaken by Crown were sufficient to ensure that undesirable junket operators and participants, and premium players, were not being permitted access to Crown facilities. The terms of the ICSs inhibited the potential for the audit checklists tools used by VCGLR inspectors to accomplish regulatory objectives effectively.</i></p> <p>Finding 4 (page 142-3):</p> <p><i>“The current Internal Control Statement in relation to junket operators and premium players, in operation from December 2020, constitutes a belated but important improvement in setting minimum controls for the casino operator and in assisting the auditing required to be undertaken by VCGLR inspectors. It is beneficial for regulatory oversight.</i></p> <p>The Investigation concluded (page 5, paragraph 16 and 17 and page 5-6, paragraph 16 and 17)</p> <p><i>“However, in considering the shortcomings in the ICSs prior to, and as of 2015, it is also important to note two matters. Firstly, the power of the VCGLR (and of its processor) to regulate the casino operator is not based solely on the ICSs. For example, junket operators were also able to be regulated by the VCGLR through the exclusion order powers under s 72 of the Casino Control Act 1991 (Vic) (CC Act).</i></p> <p><i>Secondly, the responsibility lies upon the casino operator to ensure proper probity processes are implemented in relation to junkets and premium players. The burden does not fall on the VCGLR whose function, in relation to the probity checks undertaken by the casino operator, is by way of audit and evaluation. This is because in 2004 legislative amendments to the Gambling Regulation Act 2003 (Vic) placed the onus on the casino operator to approve junket and premium player arrangements (including conducting probity requirements) rather than on the gambling regulator at the time.</i></p>

	<p>A December 2020 VCGLR ICS in relation to junket operators and premium players is a major improvement.</p> <p><i>It is unfortunate that it was not until the combination of pressures upon the VCGLR that it generated a document that was clearly required many years earlier. However, it was also not until recent times through recent inquiries, reviews and reports that the VCGLR became aware of the extent of Crown’s deficiencies in relation to probity checking in relation to junket operations. This has led to the VCGLR evaluating and improving the regulation of the junket and premium players ICS and to undertaking disciplinary proceedings against Crown for breach of the 2015 junket ICS in relation to probity. An aspect of this was Crown being fined the maximum amount of \$1 million in April 2021 by the VCGLR based on their breach of the probity requirements of junket operators in the 2015 ICS (the 2021 Disciplinary Action).”</i></p>
<p>Allegation nine.</p> <p>“The VCGLR was influenced in its inaction or inadequate discharge of its investigative responsibilities by the fact that Crown Casino pays the Victorian government over \$200 million a year in taxes.”</p>	<p>Finding 10 (page 144):</p> <p>“There is no credible evidence that the VCGLR has at any stage been influenced in its actions or discharge of its investigative responsibilities by the fact that Crown Casino pays the Victorian government over \$200 million a year in taxes.”</p>
<p>Allegation 10</p> <p>The VCGLR has only used the power to force Crown Casino to cease a relationship with one of its players or junket operators (high rollers brought into a casino by third party agents) once, despite a series of connections that have been identified between junket operators and alleged organised crime syndicates (or those linked to such syndicates).</p>	<p>Finding 8 (page 143):</p> <p><i>“The VCGLR has only used the power to force Crown Casino to cease a relationship with one of its players or junket operators once. However, a variety of other measures have been adopted by Crown, Victoria Police and the VCGLR whereby relationships between Crown and players and licensees have been terminated. The fact that the VCGLR has only exercised its coercive powers over Crown on one occasion is not indicative of regulatory default or oversight.”</i></p> <p>Further (page 8, paragraphs 24 and 25):</p> <p><i>“As asserted in the Four Corners programme, the VCGLR has only formally used the power to require Crown Casino to cease a relationship with a player or a junket operator on the one occasion. However, no sinister inference should be drawn from this fact as other mechanisms to exclude undesirable elements from Crown have been utilised by a combination of the VCGLR and Crown for many years.</i></p> <p><i>In addition, since 2017, the VCGLR has appropriately re-focused on junket operations at the Casino given the high risk of criminal activity involved in those ventures. One such measure is the 2021 Disciplinary Action against Crown, to which reference has previously been made. This action resulted in the Commission of the VCGLR deciding to impose the maximum fine permissible under current legislation, \$1 million, for infractions related to the operation of junkets and Crown’s probity requirements.”</i></p>

Allegation 11.

“An inspector identified potential money laundering in the Suncity Room of Crown Casino, involving junket representative Chenkang Pan who was allegedly handing out money from and a cooler bag full of cash on or about 5 May 2017, and it was not acted upon by the VCGLR.”

Finding 12 (page 144):

“This was properly investigated by the VCGLR and referred to Victoria Police for criminal investigation. It is inaccurate that ‘nothing was done’ by the VCGLR about this incident.”

The Investigation further concluded (page 117, paragraph 7):

“In our view, it is evident that the allegation made on the Four Corners episode that the ‘Blue Bag Incident’ was ‘not acted upon by the VCGLR’ is inaccurate and not in accordance with the available evidence. In fact, a high level of work went into the observation, monitoring and gaining of intelligence about Mr Pan at Crown Casino following the 10 May 2017 incident by the relevant inspector who has extensive experience in gambling regulation. The inspector appropriately reported his findings to his immediate manager (the team leader) and the Casino managers of the time and disseminated the information to the intelligence unit.”

And page 113-114, paragraph 3:

“... none of the five inspectors who were interviewed on the Four Corners episode had any direct involvement in relation to the ‘Blue Bag Incident’. As will be explored in detail below, it was another inspector at the VCGLR who observed the incident while undertaking surveillance activities during his shift. This inspector continued to have carriage of the investigation arising from his observations, including by drafting the relevant information reports, conducting ongoing surveillance of Mr Pan at the Casino from June 2017 to May 2018, and having interactions with Victoria Police about the incident. Based on these facts, other than a general awareness of the ‘Blue Bag Incident’, this matter does not appear to us to be in the direct knowledge of the five former VCGLR inspectors interviewed on the Four Corners program. ***We consider the inspector who had carriage of the Blue Bag investigation should be commended for his work.”***

Page 118-119, paragraphs 9 and 10

“Further, from on or about July 2017 to July 2018, the inspector was in regular contact with Victoria Police members who were investigating Mr Pan. There appears to have been an appropriate and high level of information-sharing and liaison between the VCGLR inspector and Victoria Police in relation to Mr Pan’s activities for almost 12 months.

The VCGLR is not a law enforcement agency, and its role is not to investigate possible criminal behaviour. Insofar as one of the purposes of the CC Act is to ‘ensure that the management and operation of casinos remain free from criminal influence or exploitation’ (s 1(a)(i)), we consider that where suspicious behaviour is observed by a VCGLR inspector at the Casino (which may be suggestive of some form of criminal activity), the information ought to be referred to the appropriate law enforcement agency (namely, Victoria Police, AUSTRAC, the Australian Federal Police, or the Australian Criminal Intelligence Commission). We have previously outlined that this is the process that is undertaken by the VCGLR through its Intelligence Unit. We find that this process was followed and complied

	<p>with in respect of the 'Blue Bag Incident' and that it was the subject of continued information-sharing and liaison between Victoria Police and the inspector in question."</p>
<p>Allegation 12</p> <p>"Inspectors were actively blocked from looking at money laundering at Crown Casino by management, including senior management, at the VCGLR."</p>	<p>Finding 11 (page 144):</p> <p><i>"Inspectors were not actively blocked by VCGLR management from looking at money laundering at Crown Casino."</i></p> <p>The Investigation further concluded (page 9, paragraphs 27-29):</p> <p><i>"There is no evidence</i> that the VCGLR has instructed its inspectors at Crown Casino that it was not their responsibility to act on criminal activity discovered at the Casino, including loan sharking in the gaming pit and drug deals in the Casino. To a similar effect, <i>there is no evidence</i> that inspectors were actively blocked from looking at money laundering at Crown Casino by VCGLR management.</p> <p><i>To the contrary</i>, an appropriate system has been in operation which involves the VCGLR referring such matters to appropriate criminal investigation agencies where inspectors make observations or investigations that identify suspicious activity.</p> <p><i>This occurs through the Intelligence Unit of the VCGLR. It is important to identify that the VCGLR does not hold any functions pursuant to legislation in relation to investigation of criminal activity. There is an important distinction between a regulatory body and criminal investigation body. However, processes and systems should be instituted by the gambling regulator to ensure that all Information Reports are disseminated to appropriate law enforcement agencies, where appropriate, and are the subject of follow-up. However, there is room for improvement in the regulator's intelligence processes. A system should be established whereby an effective feedback loop is created so that inspectors are notified about what has occurred to concerns that they have identified, including where external investigative agencies are involved.</i></p>