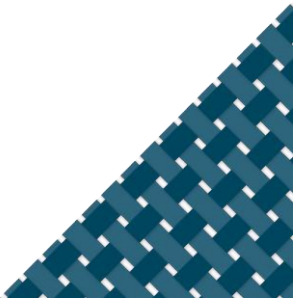


Sky City Management Limited

Final Report

SCML Junket Audit



Audit Details

Auditee	Sky City Management Limited
Audit name/reference	SCML Junket Audit – CAS-21-03
Audit date	May 2021
Audit Issue	July 2021

Audit Team

Role	Name	Contact
Audit lead	Metua Sadler	027 294 9102 Metua.Sadler@dia.govt.nz

Contents

- Audit Team..... 1
- 1. Purpose of the audit 3
- 2. Executive summary 3
- 3. Background 3
- 4. Scope..... 4
- 5. Methodology 4
- 6. Strong areas 5
- 7. Weak areas 5
- 8. Audit Findings 6
 - SCML Junket Policy 6
 - SCML Junket Vetting Procedures..... 6
 - Secretary informed of outcome of vetting procedure 7
 - SCML Junket procedure 7
 - SCML junket reporting 8
- 9. Required actions and recommendations 9

1. Purpose of the audit

This audit will determine whether SkyCity Casino Management Limited (SCML) is adhering to the requirements of the Minimum Operating Standards for Casinos (MOS) in regard to Group Commission Programmes (more commonly known as junkets) operating at the casino.

Ensuring the casino has sound procedures and practices for dealing with casino junkets is essential for maintaining the integrity of the casino operation due to the high level of risk associated with junkets.

2. Executive summary

The Department has found no issues with the vetting and reporting of junket players and operators participating in group commission programmes. The standard operating procedures provided by SCML include all the requirements set out by the MoS and show a clear process for staff to follow when vetting and reporting junket players.

SCML provided examples of vetting procedures being completed and emails that were sent to DIA as part of the reporting process. There were no issues found with the examples provided.

An interim report was sent to SCML on 21/06/2021, and your response was received on 21/06/2021. As you have provided no comment on the interim report, the final report remains unchanged from the interim report.

The audit findings are summarised below:

Area	Finding
Policy exists to govern group commission programmes	Achieved
Group commission programmes and their representatives undergo a vetting procedure	Achieved
Secretary informed of the outcome of vetting procedures	Achieved
Group commission programme agreement completed prior to programme taking place and approved by the secretary	Achieved
Gambling regulator notified of group commission programmes prior to group's arrival with adequate details.	Achieved

3. Background

SCML currently operate three casinos located in Queenstown, Hamilton and Auckland.

SCML is required under section 11 of the MOS to undertake vetting of all junket organizers and report its findings to the Department as well as notify the Department of all incoming junkets prior to arrival.

The recent developments regarding Crown Casino in Australia have shown that there are a range of serious risks associated with casino junkets and that the low level of vetting and oversight by Crown directly contributed to its failure to detect or report money laundering by organised crime syndicates in its casinos.

The Department has not conducted any audits for junkets and junket player checks have not been conducted for several years.

4. Scope

The objective of this audit is to determine whether SkyCity Casino is meeting its obligations under Part 11 of the MoS which governs Group Commission Programs.

As the current requirements set out under Part 11 of the MOS are limited in scope and detail, this audit will focus on determining if the casino has achieved a minimum standard in its actions and reporting and will not audit the actual content or timeframe of the vetting and reporting except to determine accuracy.

5. Methodology

Planning

- Initial desk-based assessment and analysis
- Identification of requirements and development of strategy to assess audit criteria
- File management and procedures for logging evidence
- Reporting, accountability and escalation procedures

Engagement

- The auditee will be notified of the audit and provided with the following information:
 - Scope of audit
 - Objectives of audit
 - Purpose of audit
 - Indictive timeframe of audit
 - Summary of the audit approach
 - Key contacts i.e. audit lead

Execution

- Information request to auditee
- Phone interviews (if required)
- On site assessment (if required)
- Analysis of information received against audit criteria
- Identification of further information/evidence required

Findings

- Analysis of all information obtained during audit against the audit criteria.
- Development of findings against the audit criteria. Either pass or fail.
- Drafting of interim audit report. Findings referenced against evidence.
- Interim audit report to auditee for opportunity to comment on findings and accuracy of the content of the report.

- Further analysis of any additional information submitted by the auditee.
- Final findings made and drafting of final audit report. Any difference of opinion between the auditor and auditee will be noted in the report in addition to any pertinent comment made by the auditee.

6. Strong areas

- SCML has a strong understanding of their responsibilities under the MoS and has put in place clear and effective policies and procedures that take this into account.
- The documents provided by SCML show good record keeping. The information provided was clear and finding relevant information was a simple process.
- The Department commends SCML for their work with vetting and reporting junket operators and players to the Department.

7. Weak areas

- The Department found no particular areas of weakness during the audit.

8. Audit Findings

SCML Junket Policy

Casino MoS part 11	Achieved
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Criteria

Internal policies in place providing a clear process for staff to follow when conducting junket vetting and reporting procedures.

Rationale

- The policy contains a clear step by step process on how to evaluate junket organisers, representatives or agents including risk areas and how to monitor them.
- The policy provides a list of procedures to follow to adequately vet individuals.
- A flowchart has been provided to further illustrate the required process.
- The processes within the policy take into account the requirements under part 11 of the MoS.

SCML Junket Vetting Procedures

Casino MoS Part 11 - 138	Achieved
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Criteria

Organisers of group commission programmes and their representatives must undergo a vetting procedure undertaken by the casino operator.

Rationale

- SCML has provided a spreadsheet of vetting results for junket programmes between 01/02/2019 – 31/01/2020.
- The vetting procedure uses three separate background checks.
- The vetting results show any possible concerns the searches outlined and their relevance to the individual.
- The information provided includes dates and names of individuals applying, as well as the players under the junket operator.
- The vetting result are kept on a spreadsheet and specific information is easily discoverable.

Secretary informed of outcome of vetting procedure

MoS Part 11 – 138A

Achieved

Criteria

The casino operator must inform the Secretary of the outcome of the vetting procedure.

Rationale

- SCML provides the Department with vetting results through periodic updates.
- The Department has previous examples of these updates within the Department's information management system.
- The report lists all junket and junket operators and the results of their background checks.
- The results of these checks match the spreadsheet of vetting results requested for this audit.
- There is no specific arrangement in place for how often the Department should be informed of the outcome of vetting procedures.
- The MoS does not state how frequently the outcome of vetting procedures should be reported to the Department.
- SCML is compliant with the required operating standards of part 11, section 138A of the MoS.
- For best practice purposes, the Department recommends that an agreement should be established with SCML regarding a specific and regular reporting period for the outcome of vetting procedures.

SCML Junket procedure

MoS 2018 Part 11 - 139

Achieved

Criteria

Casino operators must enter into a group commission programme agreement with the programme organiser before a programme takes place. The agreement must be approved by the Secretary.

Rationale

- Email examples have been provided of junket operations.
- Email time stamps show junket play was approved ahead of time and the Department given notice before play has occurred.

- SCML have provided an example of a junket operation agreement that was sent to the Department for approval in 2015.
- As of July 2018, SCML does not contact the Department or the Secretary for approval of junket operations or any other group commission programmes.
- The Department has made a policy decision in July 2018 that SCML could enter into a group commission programme agreement with the use of a generic agreement provided and approved by the Department.
- When the generic agreement is used by SCML, the Department considers the agreement to have been approved by the Secretary and does not require further sign off by the Department.
- Any agreement outside the generic agreement requires approval by the Department before it can be accepted.
- Taking into account the above policy decisions made by the Department, SCML is considered to be compliant and have achieved the required operating standards of part 11, section 139 of the MoS.

SCML junket reporting

MoS Part 11 - 142

Achieved

Criteria

Casino operators must notify a Gambling Inspector of incoming group commission programmes prior to the group's arrival. Notification must include details of the organiser, any authorised nominee (if applicable) and the names of participants in the group.

Rationale

- Examples have been provided of approved junket operations.
- Emails have been sent to the Department including details of Junket organisers and the participants.
- Email time stamps show junket play was approved ahead of time and the Department given notice before play has occurred.
- All details required by part 11, section 142 of the MoS have been provided to the Department in a timely manner.
- SCML has been compliant with its responsibilities regarding the reporting of junket players.

9. Required actions and recommendations

- The Department found no particular actions required.
- In the event SCML re-establishes group commission programmes, the Department recommends that an agreement should be established between SCML and the Department regarding a specific and regular reporting period for the outcome of vetting procedures.