

Financial Information Act Audit Report

Audit Services

September 13, 2018

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Transmittal Letter

October 25, 2018

Tom Powell
Director, Corporate Finance
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Tom:

Re: Financial Information Act

Attached is Audit Services' report on management's key controls used in the preparation of the Statement of Financial Information. This Statement is required under the Financial Information Act (FIA).

Based on the audit work performed and within the limited scope of the engagement, we conclude that the controls used in the development of the FIA report were adequate. There are no significant audit findings from the audit of this report.

We thank the management and staff of the Corporate Finance department for their cooperation and assistance during this audit.

Sincerely,

s 22

Gurmit Aujla CPA, CA, CICA, CRISC, CRMA
Director, Internal Audit

cc: Amanda Hobson, VP Finance and Corporate Services & CFO
Tricia Turner, Senior Manager, Corporate Finance

Introduction

As per BC legislation¹, BCLC must prepare and release statements of financial information. Due to financial system limitations, several of the key processes in developing this report are manual in nature. Audit Services as part of their annual audit plan performs an audit of the controls used in developing the FIA report.

Within six months following their fiscal year end, corporations must send to the ministry contact a copy of the Statement of Financial Information required under section 2 of the Financial Information Act together with an FIA checklist. Corporations must ensure that the Statement of Financial Information complies with the Act, the Regulation and this Directive. Compliance (or the reasons for non-compliance) must be indicated on the checklist accompanying the Statement of Financial Information.

The link to the Financial Information Act:

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_96140_01

Statement of Objectives

The objective of this engagement was to confirm the adequacy of the controls used in the preparation of the FIA report.

Statement of Scope

The scope of this audit encompassed several key controls that were identified by Audit Services and Corporate Finance. The scope was limited to the following key control areas:

- Reviewed updates to theory document, list of procedures, and FIA regulations.
- Reconciliation to the financial statements and Public Sector Employers' Council (PSEC) reporting.
- Department review of FIA reporting information approved by the managers responsible in their respective finance areas.
- Overall reviews completed by Corporate Finance on FIA data by Manager of Financial Reporting & Systems and Director of Corporate Finance.
- Final review and approval by VP Finance on FIA report.

Key Risks Identified

The key risks identified around the preparation of the FIA report are:

- Reliance on multiple reporting systems
- Manual nature of the compilation and reconciliation process
- Inherently difficult nature to completely reconcile accrual accounting versus cash accounting
- Reliance on many different individuals from different departments

Management is aware of these risks and management has implemented processes and controls to mitigate these risks.

¹ http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_96140_01

Statement of Methodology

Audit Services identified the key control areas and developed the testing procedures required to assess the key controls. A test process was developed to address each of the control areas and additional substantive testing as required.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes to key control areas during all engagements related to BCLC's core functions. Personnel changes can impact the control environment, effectiveness of key controls, and loss of risk and control knowledge. During this engagement, we discussed personnel changes, retirements, and revisions to roles with management. Three significant changes in key personnel occurred since the previous year's FIA reporting. Audit Services noted additional due diligence and process controls were implemented by management to ensure the accuracy and completeness of the reporting, specifically a more comprehensive review by the Director, Corporate Finance.

Audit Conclusions

While there are still risks associated with the manual nature of the report preparation and the continuity of key FIA preparation employees, the control environment is adequate to mitigate any significant risks.

During our audit, opportunities to further strengthen controls were discussed with management and process changes have been incorporated, specifically in relation to the reporting of Guarantee and Indemnities.

Based on the audit work performed, we conclude that the controls tested for this audit were found to be sufficient and provide a reasonable level of protection.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this review. Audit Services was given full access to all resources and information required to complete this review.

Return to Player Settings Audit – Q3 Elements Casino Surrey

Audit Services

December 4, 2018

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Transmittal Letter

December 14, 2018

Garth Pieper
Director, Operations
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

Re: Return to Player (RTP) Audit – Elements Casino Surrey

Attached is Audit Services' audit report on the RTP testing which occurred at Elements Casino Surrey on December 4, 2018. The scope of our audit focused specifically on the RTP settings at Elements Casino Surrey for a selected sample of slot machines.

During the course of our work conducted at Elements Casino Surrey, we noted that all 100 slot machines tested had their RTP settings set correctly. In total, Elements Casino Surrey has 542 slot machines.

We would like to thank management and staff of Elements Casino Surrey for their cooperation and assistance during this audit.

Sincerely,
s 22

Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Laurie Stewart, Regional Manager
Paul Bystrowski, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2018-2019. These audits are to ensure the settings were set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Elements Casino Surrey on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2018 to March 31, 2019.

Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Elements Casino Surrey, BCLC staffing component consists of a Manager Business Operations and one Senior Technician and three Technicians. We noted during this audit, that the BCLC staff at Elements Casino Surrey has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 100 machines tested on December 4, 2018.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q3 Chances Abbotsford

Audit Services

December 6, 2018

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Transmittal Letter

December 14, 2018

Garth Pieper
Director, Operations
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

Re: Return to Player (RTP) Audit – Chances Abbotsford

Attached is Audit Services' audit report on the RTP testing which occurred at Chances Abbotsford on December 6, 2018. The scope of our audit focused specifically on the RTP settings at Chances Abbotsford for a selected sample of slot machines.

During the course of our work conducted at Chances Abbotsford, we noted that all 80 slot machines tested had their RTP settings set correctly. In total, Chances Abbotsford has 210 slot machines.

We would like to thank management and staff of Chances Abbotsford for their cooperation and assistance during this audit.

Sincerely,

s 22

Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Brett Lawrence, Regional Manager
Donald MacLeod, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2018-2019. These audits are to ensure the settings were set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Chances Abbotsford on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2018 to March 31, 2019.

Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Chances Abbotsford, BCLC staffing component consists of a Manager Business Operations and one Senior Technician. We noted during this audit, that the BCLC staff at Chances Abbotsford has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 80 machines tested on December 6, 2018.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q2 Chances RimRock

Audit Services

December 6, 2018

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Transmittal Letter

December 14, 2018

Garth Pieper
Director, Operations
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

Re: Return to Player (RTP) Audit – Chances RimRock

Attached is Audit Services' audit report on the RTP testing which occurred at Chances RimRock on December 6, 2018. The scope of our audit focused specifically on the RTP settings at Chances RimRock for a selected sample of slot machines.

During the course of our work conducted at Chances RimRock, we noted that all 45 slot machines tested had their RTP settings set correctly. In total, Chances RimRock has 99 slot machines.

We would like to thank management and staff of Chances RimRock for their cooperation and assistance during this audit.

Sincerely,
s 22

Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Laurie Stewart, Regional Manager
Mike Spoor, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2018-2019. These audits are to ensure the settings were set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Chances RimRock on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2018 to March 31, 2019.

Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Chances RimRock, BCLC staffing component consists of a Manager Business Operations and one senior Technician. We noted during this audit, that the BCLC staff at Chances RimRock has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 45 machines tested on December 6, 2018.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.