

# Return to Player Settings Audit – Q3 Cascades Casino Langley

Audit Services

November 24, 2021

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## Transmittal Letter

December 9, 2021

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

Dear Mr. Pieper:

**Re: Return to Player (RTP) Audit – Cascades Casino Langley**

Attached is Audit Services' report on the RTP testing which occurred at Cascades Casino Langley on November 24, 2021. The scope of our audit focused specifically on the RTP settings of the slot machines at Cascades Casino Langley.

During our work, we noted that all 315 machines tested had their RTP settings set correctly. In total, Cascades Casino Langley has 1,022 slot machines.

We thank the management and staff of Cascades Casino Langley 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 Enterprise Security and Compliance  
Tom Maryschak, Senior Manager Casino Operations  
Brett Lawrence, Regional Manager, Operations  
Brian Pay, Manager, Business Operations

## Introduction

RTP Management audit was included in Audit Services' approved audit plan for fiscal 2021-2022. 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 Cascades Casino Langley 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, 2021 to March 31, 2022.

When casinos reopened July 1, 2021, it included the installation of plexiglass and disablement of some slot machines to comply with Provincial Health Officer orders. With some restrictions lifted in Q3, BCLC provided approval for sites to enable all machines, although some sites may have chosen not to enable all machines at this time. Based on this, Audit Services included both active machines, along with at least 50% of the currently inactive machines into our testing to ensure that the RTP settings are accurate when these machines are enabled in the future.

## Statement of Methodology

Our methodology and approach included:

- Testing RTPs of selected slot machines
- Confirming 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
- Identifying 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 Cascades Casino Langley, BCLC staffing component consists of a Manager Business Operations, a Senior Technician and 7 Technicians. We noted during this audit that the BCLC staff at Cascades Casino Langley had a minimal staff turnover rate.

## Conclusion

Audit Services found no RTP exceptions in the 315 machines tested on November 24, 2021.

## 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 Chances Abbotsford

Audit Services

November 17, 2021

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## Transmittal Letter

December 9, 2021

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

Dear Mr. Pieper:

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

Attached is Audit Services' report on the RTP testing which occurred at Chances Abbotsford on November 17, 2021. The scope of our audit focused specifically on the RTP settings of the slot machines at Chances Abbotsford.

During our work, we noted one error out of the 168 machines tested on November 17, 2021. The Technician on site corrected the setting immediately and we validated the correction. In total, Chances Abbotsford has 235 slot machines.

We thank the 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 Enterprise Security and Compliance  
Tom Maryschak, Senior Manager Casino Operations  
Brett Lawrence, Regional Manager, Operations  
Brian Pay, Manager, Business Operations



## Introduction

RTP Management audit was included in Audit Services' approved audit plan for fiscal 2021-2022. 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, 2021 to March 31, 2022.

When casinos reopened July 1, 2021, it included the installation of plexiglass and disablement of some slot machines to comply with Provincial Health Officer orders. With some restrictions lifted in Q3, BCLC provided approval for sites to enable all machines, although some sites may have chosen not to enable all machines at this time. Based on this, Audit Services included both active machines, along with at least 50% of the currently inactive machines into our testing to ensure that the RTP settings are accurate when these machines are enabled in the future.

## Statement of Methodology

Our methodology and approach included:

- Testing RTPs of selected slot machines
- Confirming 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
- Identifying process weaknesses, risks and controls

## Statement of Audit Standards

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## 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, one Senior Technician and a Technician. We noted during this audit that the BCLC staff at Chances Abbotsford had a minimal staff turnover rate.

## Conclusion

Audit Services found we noted that one error out of the 168 machines tested on November 17, 2021. The Technician on site corrected the setting immediately and we validated the correction. In total, Chances Abbotsford has 235 slot machines.

## 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 Chances Maple Ridge

Audit Services

November 17, 2021

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## Transmittal Letter

December 9, 2021

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

Dear Mr. Pieper:

**Re: Return to Player (RTP) Audit – Chances Maple Ridge**

Attached is Audit Services' report on the RTP testing which occurred at Chances Maple Ridge on November 17, 2021. The scope of our audit focused specifically on the RTP settings of the slot machines at Chances Maple Ridge.

During our work, we noted that all 234 machines tested had their RTP settings set correctly. In total, Chances Maple Ridge has 260 slot machines.

We thank the management and staff of Chances Maple Ridge 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 Enterprise Security and Compliance  
Tom Maryschak, Senior Manager Casino Operations  
Bal Bains, Regional Manager, Operations  
Paul Bystrowski, Manager, Business Operations

## Introduction

RTP Management audit was included in Audit Services' approved audit plan for fiscal 2021-2022. 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 Maple Ridge 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, 2021 to March 31, 2022.

When casinos reopened July 1, 2021, it included the installation of plexiglass and disablement of some slot machines to comply with Provincial Health Officer orders. With some restrictions lifted in Q3, BCLC provided approval for sites to enable all machines, although some sites may have chosen not to enable all machines at this time. Based on this, Audit Services included both active machines, along with at least 50% of the currently inactive machines into our testing to ensure that the RTP settings are accurate when these machines are enabled in the future.

## Statement of Methodology

Our methodology and approach included:

- Testing RTPs of selected slot machines
- Confirming 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
- Identifying 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 Maple Ridge, BCLC staffing component consists of a Manager Business Operations, one Senior Technician and a Technician. We noted during this audit that the BCLC staff at Chances Maple Ridge had a minimal staff turnover rate.

## Conclusion

Audit Services found no RTP exceptions in the 234 machines tested on November 17, 2021.

## 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 Hastings Racecourse

Audit Services

November 22, 2021



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## Transmittal Letter

December 9, 2021

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

Dear Mr. Pieper:

**Re: Return to Player (RTP) Audit – Hastings Racecourse**

Attached is Audit Services' report on the RTP testing which occurred at Hastings Racecourse on November 22, 2021. The scope of our audit focused specifically on the RTP settings of the slot machines at Hastings Racecourse.

During our work, we noted that all 218 machines tested had their RTP settings set correctly. In total, Hastings Racecourse has 436 slot machines.

We thank the management and staff of Hastings Racecourse 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 Enterprise Security and Compliance  
Tom Maryschak, Senior Manager Casino Operations  
Bal Bains, Regional Manager, Operations  
Don Chow, Manager, Business Operations

## Introduction

RTP Management audit was included in Audit Services' approved audit plan for fiscal 2021-2022. 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 Hastings Racecourse 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, 2021 to March 31, 2022.

When casinos reopened July 1, 2021, it included the installation of plexiglass and disablement of some slot machines to comply with Provincial Health Officer orders. With some restrictions lifted in Q3, BCLC provided approval for sites to enable all machines, although some sites may have chosen not to enable all machines at this time. Based on this, Audit Services included both active machines, along with at least 50% of the currently inactive machines into our testing to ensure that the RTP settings are accurate when these machines are enabled in the future.

## Statement of Methodology

Our methodology and approach included:

- Testing RTPs of selected slot machines
- Confirming 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
- Identifying 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 Hastings Racecourse, BCLC staffing component consists of a Manager Business Operations, one Senior Technician and a Technician. We noted during this audit that the BCLC staff at Hastings Racecourse had a minimal staff turnover rate.

## Conclusion

Audit Services found no RTP exceptions in the 218 machines tested on November 22, 2021.

## 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.

# Financial Information Act Audit Report

Audit Services

September 27, 2021

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## Transmittal Letter

October 18, 2021

Alan Kerr  
Chief Financial Officer and VP, Finance and Corporate Services  
74 West Seymour Street  
Kamloops, BC V2C 1E2

Dear Alan:

**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 two 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, CIA, CRISC, CRMA  
Director, Internal Audit

cc: Michelle Webb, Senior Manager, Corporate Finance



## Introduction

As per BC legislation<sup>1</sup>, 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](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 for the fiscal year ended March 31, 2021.

## Statement of Scope

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

- Review 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.
- Final review and approval by Chief Financial Officer 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

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<sup>1</sup> [http://www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/00\\_96140\\_01](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. We developed a test process 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. Two 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 Senior Management of Corporate Finance, including the Chief Financial Officer. We discussed additional opportunities to strengthen training with management.

## Audit Conclusions

While there remain risks associated with the manual nature of the report preparation and the continuity of key FIA preparation employees, management is aware of these risks and has strengthened the control environment to ensure there are adequate processes and controls in place to mitigate significant risks. This year, Management continued to implement and improve the digitization of records and reporting to further streamline the process.

During our audit, we specifically discussed two findings, as noted below, with the Chief Financial Officer. These findings, were in relation to Guarantees and Indemnities and the unreconciled difference between the different basis of financial reporting.

### Guarantees and Indemnities

The first finding, as noted in previous years, related to Guarantees and Indemnities; as per the regulations:

*"The schedule of guarantee and indemnity agreements must list financial guarantee and indemnity agreements in force which required government approval prior to being given under the Indemnities and Guarantees Regulation."*

Due to system and information centralization restraints, BCLC currently reports Guarantees and Indemnities entered into and approved during the current year versus all Guarantees and Indemnities in force as at fiscal year end.

Audit Services discussed with management and noted that the title of the schedule is accurately reflective of the reporting BCLC provided;

*"There were no Guarantee Agreements approved during the year. From time to time, BCLC provided each executive with a fully indemnity under certain circumstances. List of indemnities approved during the year..."*

Management has committed to continue working with Legal Services and Contract Management to explore opportunities to centralize the information in order to provide complete and accurate data as prescribed in the FIA regulation. In the absence of a process to capture complete Guarantees and Indemnities information, Audit Services has reinforced that management should continue to ensure transparency by clearly articulating the information, disclosures and assumptions being communicated throughout the FIA report to the office of the Comptroller General, who is responsible for administering the FIA.

### **Unreconciled Difference**

The second finding focused on the unreconciled difference, which resulted from the adjustment and reconciliation of financial information from accrual basis to cash basis as well as inclusion and exclusions of reportable amounts. Financial statements are prepared on an accrual basis and FIA guidelines require the FIA reporting to be prepared on a cash basis. Therefore, financial information must be adjusted to cash based accounting for the purposes of the FIA reporting. The differences between expenses on the financial statements and the payments on the FIA report are usually attributable to non-cash accruals, timing differences, changes in working capital, and non-reportable payments or outflows.

Management has established a threshold for this unreconciled difference, defined as 1% of total vendor and remuneration spend. Total vendor and remuneration spend for 2020-2021 was \$526,330,000. The average unreconciled difference over the past ten years has been approximately \$2,469,600 and on average has represented about 0.22% of total vendor and remuneration spend. This year, it was noted that the total unreconciled difference was \$5,231,000 representing approximately 0.99% of total vendor and remuneration spend. Though this variance is still under the 1% threshold defined by Management, it is still significantly higher than previous years. We discussed this finding with Management and it was confirmed that a similar review approach was used to previous years.

Management noted given the larger than average unreconciled difference this year, a significant amount of additional time, resources and due diligence was applied to try to reconcile this amount. It was noted that due to COVID-19 and the resulting casinos shut down, significant changes were made to BCLC operations that impacted casino revenues and commissions paid to services providers. To account for this unique year, management had taken an approach to normalize the unreconciled difference as if BCLC was operating as its normal operations. Management based their calculation on a normalized total for Schedule F and Schedule G. This normalization was achieved by increasing the totals of each of these schedules to an amount that is more reflective of the Service Providers commissions in a routine year of business operations. This resulted in a normalized unreconciled difference of 0.44% that is more in line with the average unreconciled difference from previous years.

Management should continue to carefully monitor this unreconciled difference year-to-year and explore options of managing and reducing this unreconciled difference. In addition, management should consider reviewing the appropriateness of the 1% threshold for the unreconciled difference as this threshold has been in place for over a decade. Over the past several years, BCLC operations have significantly changed, evolved and have become increasingly complex and there may be an opportunity to review and determine if this threshold is still applicable or if a more reasonable and accurate measure or threshold should be considered and implemented going forward.



Audit Services also discussed other opportunities to further strengthen the FIA reporting process and related control environment with Management. Management has agreed with all the recommendations and have formally incorporated them into the FIA process and control environment.

Based on the audit work performed, we conclude that the controls tested for this audit were found to be sufficient and no other exceptions were noted.

## Acknowledgements

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