



74 West Seymour Street  
Kamloops, BC V2C 1E2

T 250 828 5500  
F 250 828 5631

2940 Virtual Way  
Vancouver, BC V5M 0A6

T 604 270 0649  
[www.bclc.com](http://www.bclc.com)

September 23, 2022

Anna Fitzgerald  
Gaming Policy and Enforcement Branch  
220-4370 Dominion Street  
Burnaby, BC V5G 4L7

Dear Ms. Fitzgerald:

This is to inform that we performed an "Agreed Upon Procedures" (AUP) specific to Host Local Government (HLG) reconciliation for the fiscal year ended March 31, 2022.

This work is in connection with the Host Financial Assistance Agreement and the related payment amount by the Province of British Columbia (Province) to the various Municipalities (the Hosts).

Based on AUP's conducted, we inform that the financial reconciliation for HLG payment for the fiscal year ended March 31, 2022, appeared acceptable.

Best Regards,

s 22

Rao Wandawasi, CIA, CRMA, CPA, MBA, ICD.NFP, CA(India)  
Director, Audit Services

For Information:

1. Based on the AUP's performed, no exceptions were noted.
2. The key subsections in our AUP are listed in Appendix A.

## Appendix A – List of key subsections in BCLC Audit Services' Agreed Upon Procedures

1. Host Local Government (HLG) Agreement for Casinos and Community Gaming Centres (CGC) – Inspect for any changes/amendments
2. Casino and CGC Host Local Government reconciliation – on a sample basis check the following:
  - a. HLG working copy – check integrity of workbook for accuracy
  - b. Win for Casino/CGC – Trace back to SAP for completeness of:
    - i. Total revenue
    - ii. Total direct costs
    - iii. Total facility operating costs
  - c. Fee to service provider
  - d. Facility operating cost
  - e. Allocation of site operating cost
  - f. Operating expenses (indirect costs)
  - g. Allocation of casino and CGC overhead and corporate expenses
  - h. Revenue drivers
  - i. Adjustments to HLG spreadsheet, if required
  - j. Net gaming income

# Financial Information Act Audit Report

Audit Services

October 13, 2022

## Table of Contents

Transmittal Letter .....	1
Introduction.....	2
Statement of Objectives .....	2
Statement of Scope .....	2
Statement of Methodology .....	2
Statement of Audit Standards .....	3
Personnel Changes in Key Control Areas.....	3
Review Conclusions .....	3

## Transmittal Letter

October 13, 2022

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 Report**

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 review work performed within the scope of this engagement, we conclude that the controls in the development of the FIA report were adequate. There are two findings as highlighted in the report.

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

Sincerely,

s 22

Rao Wandawasi  
Director, Audit Services

cc: Farouk Zaba, Director Corporate Finance  
Michelle Webb, Senior Manager, Corporate Finance

## Introduction

As per BC legislation, within six months following the fiscal year end, BC Lottery Corporation (BCLC) must prepare and release the Statement of Financial Information (Statement) together with the checklist. BCLC must ensure the statements comply with the *Financial Information Act*. Compliance (or the reason for non-compliance) must be indicated in the checklist accompanying the Statement.

Due to financial system limitations, several key processes in developing this report are manual. Audit Services, as part of their annual audit plan, performs a review of controls used in development of the FIA report to provide additional assurance.

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 is to confirm the adequacy of the controls used in the preparation of the FIA report for the fiscal year ended March 31, 2022. Additionally, opportunities for any process improvements will be identified and highlighted.

## Statement of Scope

The scope of this engagement is to review the aggregate level information and related control environment of the information being reported and includes the following:

- review updates to theory document, list of procedures, and FIA,
- review the reconciliation of the financial statement information from accrual basis to cash basis and the resulting variance trend from year to year,
- review Schedule F (schedule of payments to suppliers of goods and services), specifically high spend vendors and compare to past year's high spend vendors
- review Schedule F and sample test individual vendor names listed against BCLC employee names; investigate any larger payments to BCLC employees
- review Schedule G (schedule showing remuneration and expenses paid to or on behalf of each employee) and compare to past year's Schedule G, and
- review evidence of final reviews and approval by Director Corporate Finance and Chief Financial Officer and Vice President Finance and Corporate Services.

## Statement of Methodology

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

## Statement of Audit Standards

We conducted this engagement in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the engagement to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under review. A review also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the engagement objectives. We believe that our engagement review 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. No significant changes in key personnel occurred since the previous year's FIA reporting. Audit Services noted management controls in place to ensure the accuracy and completeness of the reporting, specifically comprehensive reviews by Senior Management of Corporate Finance.

## Review Conclusions

Management continued to implement and improve the digitization of records and reporting to further streamline the process. During our review, we noted the following two points:

### 1. Guarantees and Indemnities

Specific 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 limitations, BCLC currently reports Guarantees and Indemnities entered and approved from or after April 1, 2020, versus all Guarantees and Indemnities in force as at fiscal year end. Management has established a working group and implemented a tracking process which provides a listing of all agreements in force during the year that were entered into from April 1, 2020 and onwards. Management expects the schedule will be fully compliant when there are no longer any agreements in effect that pre-date April 1, 2020.

Until the schedule is fully compliant, 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.

### 2. Unreconciled Difference

The unreconciled difference, results 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, at 1% of total vendor and remuneration spend. This year it was noted that management made significant efforts to reduce the unreconciled difference. Management has implemented process changes including simplifying the reconciliation methodology and refinements to working paper packages that have resulted in a significant reduction of unreconciled differences, down to 0.03% this year from 0.99% last year. Management should continue to monitor this unreconciled difference year-over-year.

Management has also started to review and evaluate the reasonableness of the 1% threshold (recommended by Audit Services last year) and are exploring system options to help determine the future state of the FIA report completion.

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

# P&C Compliance Testing for Respectful Workplace Matters – Leaders

Audit Services

November 29, 2022

## Table of Contents

Transmittal Letter .....	1
Introduction.....	2
Statement of Objectives .....	2
Statement of Scope .....	2
Statement of Methodology .....	3
Statement of Audit Standards .....	3
Audit Conclusions .....	3
Acknowledgements .....	3

## Transmittal Letter

November 29, 2022

Sandy Austin  
Interim Chief People Officer  
74 West Seymour Street  
Kamloops, BC V2C 1E2

Dear Mrs. Austin:

**Re: Compliance Testing for Respectful Workplace Matters (RWM) – Leaders**

Attached is the Audit Services' report on the compliance testing for the period January 5, 2022 to April 30, 2022.

Our testing identified compliance rate of 86% for RWM – Leaders course completion. Management is actively working to resolve instances of non-compliance and will provide updates to Audit Services at time of resolution. Additionally, management is giving consideration to process improvements areas identified.

We thank the management and staff for their cooperation and assistance during this engagement.

Sincerely,  
s 22

Rao Wandawasi  
Director, Audit Services

cc: Lisa Fuller, Director People Development & Operations  
Jennifer Billingsley, Manager People Operations

## Introduction

All employees are required to understand and comply with BCLC's Terms and Conditions of Employment policy as well as all other BCLC policies, standards and procedures, as a condition of their employment. Employees can consult with their people and culture advisor if they are uncertain how to interpret or apply these policies. Employees are also required to observe any new terms, conditions, policies and procedures published by BCLC.

As part of the on-boarding process for new leaders, completion of a number of standard education and information sessions, along with confirmation of completion or agreement, is required. A standard of 30 days from effective start date is the timeframe by which these activities must be completed. Additionally, employees are required to refresh these on an annual basis, thus ensuring continued understanding and clarity on any new or updated information. The SuccessFactors' learning management system (LMS) platform documents successful completion and tracks results for the related assessment.

Leaders receive an automated reminder of upcoming activities for completion along with notification of the deadline. SuccessFactors maintains historical data on completed activities allowing People and Culture to monitor and follow-up if necessary. Timely completion of activities helps ensure employee's awareness and compliance with policies.

## Statement of Objectives

The objectives of this engagements was to test and confirm employees' compliance within the required time, either following date of hire or annual completion, for the following:

- Respectful Workplace Matters (RWM) – Leaders online training activity.

## Statement of Scope

The scope of this engagement covered January 5, 2022 – April 30, 2022 for RWM for all active leaders.

## Statement of Methodology

Audit Services performed the following procedures:

- Obtained LMS listings of all leaders and their completion status for the RWM from Senior People Systems Administrator,
- Obtained employee start dates and employment status for all employees in-scope from People & Culture Reporting & Insights Analyst,
- Reviewed completion status for all leaders to test that the online course (RWM) is completed within the annual renewal timeline, and
- Reviewed completion status for new employees hired within the last fiscal year to test that the online course (RWM) was completed within the 30-day onboarding timeline.

## Statement of Audit Standards

We conducted our engagements 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.

## Audit Conclusions

Based on the audit work performed, we observed an 86% compliance rate (185 of 214 active leaders) for course completion.

Management is actively working to resolve all identified non-compliance issues and will provide updates to Audit Services at time of resolution. Management will look at defining and communicating the desired timeline for completion and impact of non-compliance. Process improvement opportunities identified include:

- Developing a regular monitoring and follow-up process to address non-compliance.
- Ensuring all scenarios are fully tested prior to going live with course updates.
- Mapping the process and controls related to course content for LMS.

These improvement opportunities have been communicated and management has developed formal action plans to address.

## 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.

# Return to Player Settings Audit – Q3 Chances Abbotsford

Audit Services

Issued December 7, 2022

## Table of Contents

Transmittal Letter .....	1
Introduction.....	2
Statement of Objectives .....	2
Statement of Scope .....	2
Statement of Methodology .....	2
Statement of Audit Standards .....	2
Personnel Changes in Key Control Areas.....	2
Conclusion .....	2

## Transmittal Letter

December 7, 2022

Dan Beebe  
Chief Operating Officer  
2940 Virtual Way  
Vancouver, BC V5M 0A6

Dear Dan:

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

Attached is Audit Services' report on the RTP setting testing that took place at Chances Abbotsford on December 5, 2022. The scope of our audit focused specifically on the RTP settings of 111 of the 222 slot machines located on the gaming floor at Chances Abbotsford.

The result of our audit concludes that there were no exceptions noted with the 111 slot machines tested.

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

Sincerely,  
s 22

Rao Wandawasi  
Director, Audit Services

cc: Tom Maryschak, Director, Casino Operations  
Kevin Sweeney, Director, Enterprise Security and Compliance  
Brett Lawrence, Regional Manager, Operations  
Brian Pay, Manager, Business Operations

## Introduction

Audit Services has allocated resources in its FY2022-2023 Annual Audit Plan (AAP) for engagements related to RTP audits, which focuses on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP means the percentage of all the wagered money a slot machine will pay back to players over a given period.

## Statement of Objectives

The objective of this engagement was to test the RTP settings of 111 randomly selected slot machines located at Chances Abbotsford on December 5, 2022.

## Statement of Scope

This audit is one of the two RTP engagements scheduled to occur during the fiscal quarter. The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

## Statement of Methodology

Our methodology and approach included:

- selecting a sample of slot machines to test based on the size of the facility (population size of 222 machines yielded a selected sample of 50% of total machines),
- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- 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. These 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 institutional knowledge. The BCLC staffing at Chances Abbotsford is comprised of one Manager Business Operations, one Senior Technician and one Site Technician. We note that there has been no BCLC staff changes during the last fiscal quarter.

## Conclusion

Audit Services found no exceptions in the 111 machines tested on December 5, 2022.

# Return to Player Settings Audit – Q3 Chances Maple Ridge

Audit Services

Issued December 7, 2022

## Table of Contents

Transmittal Letter .....	1
Introduction.....	2
Statement of Objectives .....	2
Statement of Scope .....	2
Statement of Methodology .....	2
Statement of Audit Standards .....	2
Personnel Changes in Key Control Areas.....	2
Conclusion .....	2

## Transmittal Letter

December 7, 2022

Dan Beebe  
Chief Operating Officer  
2940 Virtual Way  
Vancouver, BC V5M 0A6

Dear Dan:

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

Attached is Audit Services' report on the RTP setting testing that took place at Chances Maple Ridge on December 6, 2022. The scope of our audit focused specifically on the RTP settings of 123 of the 245 slot machines located on the gaming floor at Chances Maple Ridge.

The result of our audit concludes that there were no exceptions noted with the 123 slot machines tested.

We thank the management and staff of the Chances Maple Ridge for their cooperation and assistance during this audit.

Sincerely,

s 22

Rao Wandawasi  
Director, Audit Services

cc: Tom Maryschak, Director, Casino Operations  
Kevin Sweeney, Director, Enterprise Security and Compliance  
Bal Bains, Regional Manager, Operations  
Paul Bystrowski, Manager, Business Operations

## Introduction

Audit Services has allocated resources in its FY2022-2023 Annual Audit Plan (AAP) for engagements related to RTP audits, which focuses on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP means the percentage of all the wagered money a slot machine will pay back to players over a given period.

## Statement of Objectives

The objective of this engagement was to test the RTP settings of 123 randomly selected slot machines located at Chances Maple Ridge on December 6, 2022.

## Statement of Scope

This audit is one of the two RTP engagements scheduled to occur during the fiscal quarter. The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

## Statement of Methodology

Our methodology and approach included:

- selecting a sample of slot machines to test based on the size of the facility (population size of 245 machines yielded a selected sample of 50% of total machines),
- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- 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. These 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 institutional knowledge. The BCLC staffing at Chances Maple Ridge is comprised of one Manager Business Operations and one Senior Technician. We note that there has been no BCLC staff changes during the last fiscal quarter.

## Conclusion

Audit Services found no exceptions in the 123 machines tested on December 6, 2022.

# P&C Compliance Testing for Employment Letters

Audit Services

December 21, 2022

## Table of Contents

Transmittal Letter .....	1
Introduction.....	2
Statement of Objectives .....	2
Statement of Scope .....	2
Statement of Methodology .....	2
Statement of Audit Standards .....	3
Audit Conclusions .....	3

## Transmittal Letter

December 21, 2022

Sandy Austin  
Chief People Officer  
74 West Seymour Street  
Kamloops, BC V2C 1E2

Dear Sandy:

**Re: Compliance Testing for Employment Letters**

Attached is the Audit Services' report on the compliance testing for the period April 1, 2021, to August 31, 2022.

Our testing identified a compliance rate of 75% for employment letter completion. Management has acknowledged the instances of non-compliance, and is working to resolve future non-compliance issues through enhanced due diligence. Additionally, management has given consideration to process recommendations and improvement areas identified.

We thank the management and staff for their cooperation and assistance during this engagement.

Sincerely,  
s 22

Rao Wandawasi  
Director, Audit Services

cc: Lisa Fuller, Director People Development & Operations  
Jennifer Billingsley, Manager People Operations

## Introduction

All employees are required to understand and comply with BCLC's Terms and Conditions of Employment policy as well as all other BCLC policies, standards, and procedures, as a condition of their employment.

When a new employee is hired at BCLC, specific documents require formal sign-off to ensure the employee agrees and complies with corporate policy including the *Offer Letter* and *Employee Agreement*. Timely completion of these documents helps ensure employee's awareness and compliance with BCLC's policies before they begin working at BCLC; however, failure to complete or sign these documents before the employee's effective start date may also have more legal ramifications. Per BC Employment & Labour Law, this could indemnify the agreement and provide significant exposure to the organization.

## Statement of Objectives

The objectives of this engagement were to test for the following:

- employees' compliance with returning signed employment letter within the required time following date of offer,
- managers' compliance with signing employment letter within the required time following date of offer,
- completeness and accuracy of duly signed employment letters, and
- adequate records retention of signed employment

## Statement of Scope

The scope of this engagement covered employment letters issued during the period April 1, 2021, to August 31, 2022, for a chosen sample of BCLC employees. The testing sample included employees at all levels and across all divisions.

## Statement of Methodology

Audit Services performed the following procedures:

- obtained listings of both external and internal hires that received an offer letter,
- obtained employment status, contract type, and employee effective start dates,
- selected a representative sample of employees and obtained relevant employee documents,
- reviewed employment documents for the employee's signature, the date signed by the employee, as well as signature by the appropriate hiring manager, and
- determined overall compliance rate.

## Statement of Audit Standards

We conducted our engagement 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.

## Audit Conclusions

Based on the audit work performed, we observed a 75% compliance rate (33 of 44 employees tested) for document completion in accordance with BCLC policy.

Management has acknowledged the eleven instances of non-compliance and has committed to the reinforcement of process with hiring managers and increased due diligence during the review of employment related documents.

Audit Services has identified three key process recommendations and improvement opportunities surrounding missing management signatures:

- addition of separate and defined signature line for employee and manager to all employment related documents including letters and agreements where both employee and manager sign-off is required,
- allowing for the hierarchical management within the hiring business unit to sign in lieu of the hiring manager, and only with appropriate approval documentation; on an exception basis when the business unit management hierarchy is unavailable for greater than one week, the recruiting manager may sign on behalf of the hiring manager with the business unit's written approval, as they would be considered the legal agent acting on behalf of the organization, and
- ensuring leverage of existing applications within the business (e.g., Adobe Acrobat, DocuSign) to ensure hiring managers have the appropriate tools to be able to sign offer letters regardless of their working environment.

These recommendations have been communicated to management, and they have provided a management response defining the steps for implementation.