



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

April 27, 2023

Rod Toula
Interprovincial Lottery Corporation
40 Holly Street – 6th Floor
Toronto, ON M4S 3C3

Dear Mr. Toula:

Re: BCLC's Report on Compliance with ILC Control Standards

We have completed the audit of BCLC's compliance with the Interprovincial Lottery Corporation's ("ILC") Control Standards as required in the Regional Responsibilities (Section 1.2) of the ILC Policies and Procedures Manual. Please find attached the completed Annual ILC Control Standards Audit Report (referred to as Appendix 12 B).

The enclosed Appendix 12 B is intended for the exclusive use of BCLC and ILC in assessing BCLC's compliance with the Control Standards as at March 31, 2023, and is not to be relied upon for any other purpose.

Yours truly,
s 22

Rao Wandawasi
Director, Audit Services

cc: Pat Davis, President & CEO, BCLC
Dan Beebe, Chief Operating Officer, BCLC
Mark Goldberg, Chief Information Officer and VP, Business Technology, BCLC
Peter ter Weeme, VP, Social Purpose & Stakeholder Engagement · Social Responsibility
Marie-Noelle Savoie, Chief Compliance Officer and VP, Legal, Compliance, Security, BCLC
Alan Kerr, Chief Financial Officer and VP, Corporate Services, BCLC
Sandy Austin, Chief People Officer, BCLC

Advance Commission Recovery Process Review

Audit Services

Issued April 27, 2023

Table of Contents

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

Transmittal Letter

April 27, 2023

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

Dear Mr. Kerr:

Re: Advance Commission Recovery Process Review

The attached report communicates the result of the audit we conducted relating to the Advance Commission Recovery, which entailed reviewing relevant processes to ensure the control environment is adequate and effective.

The results of our review, completed April 19, 2023, indicate that the control environment is adequate and effective. There were no improvement opportunities identified during the audit engagement.

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

Sincerely,

s 22

Rao Wandawasi
Director, Audit Services

cc: Farouk Zaba, Director, Corporate Finance
Wendy Epp, Senior Manager, Financial Operations
Leanne Dalton, Manager, Finance Operations (CCG)

Introduction

During the casino re-opening in 2021, BCLC provided an eligible commission advance amount to three Service Providers (16 casino sites) as outlined in the Operational Services Agreement Advance Commission Amending Agreement. The advance commission is due to be recovered by BCLC from these three Service Providers beginning in April 2023. Finance Operations has developed a process to manage and control the recovery process and ran the process in a “testing environment” before implementing into production.

Statement of Scope and Objectives

The scope of our engagement focused on the assessment of the advance commission recovery process developed by Finance Operations.

The objective of this engagement was to determine whether the controls around the advance commission recovery process are appropriately designed and implemented.

Statement of Methodology

The engagement is based on the premise that management is responsible for identifying its business risks and managing them by designing and maintaining a system of internal controls that mitigates these risks. The role of the auditor is to assess these management controls and determine whether they are adequate and effective.

The approach for this engagement involved:

- conducting interviews with key stakeholder and making inquiries as required,
- reviewing the related procedures,
- walkthrough of the process and control environment, including testing environment,
- developing process flowcharts to identify potential areas of risk for mitigation,
- identifying areas for potential improvement, and
- performing sample testing on selected transactions.

Statement of Audit Standards

We conduct our engagements 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.

Conclusions

Our review indicates that there are adequate internal controls in place and the processes are operating as intended. No improvement opportunities have been noted.

Audit Services may periodically do sample testing of Service Providers’ monthly statement packages until all the advance commissions have been recovered. Once all advance commission have been recovered from the Service Providers, Audit Services will review final reconciliations prepared by the business.

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 engagement.

P&C Advisory Review for LMS Process for Mandatory Courses

Audit Services

June 16, 2023

Table of Contents

Transmittal Letter	1
Introduction.....	2
Statement of Scope & Objectives.....	2
Statement of Methodology	2
Statement of Audit Standards	3
Audit Conclusions	3
Findings.....	4
Appendix.....	8

Transmittal Letter

June 16, 2023

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

Dear Sandy:

Re: P&C Advisory Review for LMS Process for Mandatory Courses

Attached is the Audit Services' report on its review of the People & Culture (P&C) Learning Management System (LMS) process.

Audit Services has reviewed the current state of the LMS process and documented a system process flow of the LMS mandatory course lifecycle in consultation with accountable stakeholders. Based on our review, we have identified improvement opportunities designed to strengthen the process and improve the learning experience for all BCLC employees as set forth in the *LMS Usage Policy*. This policy defines the LMS as "the primary tool used for developing, implementing, and managing aspects of the learning process for BCLC, Service Providers and Lottery Retailers". This also aligns with the Environment, Social, and Governance (ESG) corporate policy, the strategic employee value proposition, and best practices.

Management has considered the process recommendations and improvement areas and provided an action plan to address these recommendations.

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
Chantal Duke, People Development
Jennifer May, Senior Specialist People Development

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. To help facilitate education and understanding in the application of policies, standards and procedures, employees are required to complete a number of education and information sessions, providing confirmation of completion or agreement.

To help facilitate this process, and allow employees flexibility in completing these requirements, individual training modules are available through BCLC's internal **s 15(1)(l)** LMS. Course content aligns with corporate policies and standards and updated periodically to maintain alignment. People Development and Operations (PD&O) is the business and system owner and, in conjunction with People Systems, is responsible for the LMS system that hosts, assigns, and documents employee completion of specific course content. Individual courses, including content, may be owned by other business areas throughout BCLC. Specific course content may be developed internally, through use of external partners or purchased 'out-of-the-box' for use by BCLC.

In addition to initial course completion, employees may be required to recertify their understanding and compliance with certain courses by completing a refresher within a set time period. This ensures continued understanding and clarity on any new or updated information.

The LMS platform provides automated reminders of upcoming activities for completion to employees and their respective manager. The system documents completion and maintains historical data allowing reports to be produced for course owners to monitor and follow-up if necessary.

Statement of Scope & Objectives

The scope of this engagement includes BCLC's processes and procedures for mandatory LMS courses. Non-mandatory courses were outside the scope of this engagement.

The engagement focused on a current state assessment of the overall design of the course content creation and LMS hosting and monitoring process.

Statement of Methodology

Audit Services performed the following procedures:

- Interviewed key stakeholders in the LMS process
- Reviewed existing policy and guidelines related to the LMS
- Identification of potential areas of concern or weakness
- Documented a system process flow of the end-to-end process, related control activities, and related risks
- Validated the results with key stakeholders
- Provided recommendations to address and mitigate risks and weaknesses

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

Audit Services has prepared a system process flow of the LMS system and the lifecycle of an LMS course.

Based on the work performed, we identified recommendations to improve process effectiveness and efficiencies as well as further strengthen the control environment, in the following areas:

- Clarity in Roles, Responsibilities, and Accountabilities
- Documentation of Policies and Processes
- E-Course Effectiveness
- System Limitations

These recommendations have been communicated to and accepted by management. Management is currently investigating opportunities to reduce or eliminate the identified gaps.

Findings

The following are the findings that we identified during our fieldwork, along with associated recommendations to address the issues. To assist management in prioritizing action plans in response to our recommendations, we have categorized the issue by level of risk, using the following scale:

- High – Issue should be addressed and resolved immediately;
- Moderate – Issue requires management attention and should be addressed and resolved within a reasonable time period; or
- Low – Issue is of lesser significance that is administrative in nature.

FINDING (HIGH) – CLARITY IN ROLES, RESPONSIBILITIES, AND ACCOUNTABILITIES

Audit Services notes there is a lack of clarity in the roles, responsibilities, and accountabilities of stakeholders involved in the LMS process. Specifically, there is a gap in the role and expectations of LMS course owners; these include:

- Instances of LMS courses not having a documented course owner with PD&O.
- Responsibilities are not clearly defined, documented, and communicated with those charged with ownership of courses.
- Ownership of courses is historically allocated to individuals, and not role profiles; when employee turnover occurs, course ownership responsibilities often do not get reallocated in a timely matter.
- Role profile of People Systems Administrator indicates that they are intended to solely provide Tier 3 support for the LMS system, however they often get relegated to being the first point of contact on LMS system issues.
- Inconsistent oversight and completion of the reviewing, updating, and decommissioning of courses; the current standard prescribes the “periodic” review of course content, with an update taking place “once every two years”.

There is also unclear documented ownership over the overall LMS process, as well as few dedicated resources to maintain the LMS; this limits the amount of time available to update and create new LMS reporting methods or to pursue professional development on new features and learning types.

IMPACT

A lack of documented responsibilities and accountabilities can have significant impact to the overall LMS process, and therefore the employee value proposition, such as miscommunication of course owner expectations and inferior course offerings. This can impact the effectiveness of the overall learning program at BCLC.

RECOMMENDATION

1. All LMS courses must be reviewed for an up-to-date course owner; PD&O must document these course owners and their role profile, and communicate their responsibilities as course owners, including the obligation to update PD&O in the case of change in course owner role profile. In the event of role change, the manager of the course owner role is responsible for educating the new course owner.

2. Review and update the *LMS Usage Policy* and guidelines to clearly document the roles and responsibilities for course owners, System Admins, and PD&O, including the content review cycle, how the update process will be managed, and how compliance is to be monitored and reported; this policy and guideline update should be communicated to all course owners.
3. Require an annual course content review of all mandatory LMS courses for relevancy; if an LMS course is no longer considered relevant and the necessary resources are not available to perform an update, the course should follow the outlined process to be decommissioned to ensure the LMS is not accumulating “technical debt” in alignment with best practices.
4. Ownership of the LMS process should be defined and documented, with consideration to having a designated resource within P&C. This designation would be responsible for full-time administration of all LMS responsibilities for both mandatory and non-mandatory courses.

MANAGEMENT RESPONSE

Management agrees with the above recommendations and will investigate alternatives to address and close the gaps identified.

FINDING (HIGH) – DOCUMENTATION OF POLICIES AND PROCESSES

We have noted in our discussions with key stakeholders that there is not sufficient documentation for the policies and procedures relating to the LMS process. In addition, there are inadequacies in the learning control environment that pose significant risk to the integrity of the process:

- Considerable number of mandatory courses are required upon the onboarding of BCLC employees; 11 courses and 4 digital signoffs are required within 30 days of an employee’s effective start date.
- Lack of documentation surrounding historical and institutional knowledge; there is a high reliance on employee understanding and hands-on expertise in the organization, and in the case of employee turnover there is not a clear continuity plan for the integral roles in the LMS process.
- Lack of a single repository of course content, and their corresponding update files; there is currently no version control for all the “Story” and “Published” Articulate course files.
- While there is partial data available documenting the process of course activations and deactivations, there is a lack of an audit log or documentation for courses that are updated.
- Course owner permission is the sole requirement for course deactivation; senior leadership is not currently required to authorize the deactivation of mandatory courses.
- Lack of internally defined roles of contractors (Level 1 and Level 2); currently, there are unclear requirements for the assignment and follow-up of mandatory LMS courses to contractors as well as in what situations exemptions are granted; Level 1 contractors are intended to be treated as embedded full-time employees (FTE) and therefore subjected to the same requirements as BCLC FTEs.

IMPACT

Overloading new employees with course information has the potential to sacrifice the full comprehension of requirements and learnings in order to meet required timelines. In addition, the lack of an audit trail surrounding course updates, as well as a defined continuity plan, runs the risk of legal or reputational damage.

RECOMMENDATION

1. Reconsider the defined timing for mandatory courses, with different courses having staggered annual schedules so as not to impede course owner and BCLC employee priorities/commitments.
2. Establish a consolidated repository of all course files, that accounts for file version control and provides an audit log for the course updates performed.
3. Review and revise policy to ensure that the responsible Executive and Chief People Officer are required to authorize the deactivation of mandatory LMS courses.
4. Review and revise policy and guidelines to clarify the distinction between Level 1 and Level 2 contractors, and outline their respective requirements as it pertains to LMS mandatory courses; these requirements should then be communicated to incoming contractors by Procurement.

MANAGEMENT RESPONSE

Management agrees with the above recommendations and will investigate alternatives to address and close the gaps identified.

FINDING (MODERATE) – E-COURSE EFFECTIVENESS

E-course content can quickly become outdated based on changing business circumstances, but also environmental and industry changes. Content that is no longer relevant to BCLC employees does not meet the expectations of the ESG policy and lowers the perceived standard of the entire LMS course offering. Audit Services noted:

- Current version of the *E-Course Development Request Form* does not include a field for “Expectations”; key objectives are obtained early in the course creation process, but the expected employee behaviour outcomes resulting from the course are not always made clear.
- All courses are not updated regularly, and content may no longer be relevant; as noted above, PD&O policy is lacking in the course owner requirements for updating content.
- E-course is not a one-size-fits-all solution; some courses have been noted as too long, not engaging, not relevant to an employee’s specific role, or the content does not reflect relevant learning objectives.

Audit Services notes that the organization is currently moving towards “micro-learning” options for offerings, a learning approach that involves breaking intended learning material into smaller, more palatable chunks of information with the goal of increasing comprehension and engagement with the intended learning outcomes.

IMPACT

LMS course content deficiencies may cause employees to experience decreased value with the learning offerings at BCLC, specifically where course content is not reviewed and refreshed on a regular basis. This could affect the overall attitude towards LMS learning materials, as well as the willingness to take part in learning.

RECOMMENDATION

1. Add a field for potential course owners to outline the expected employee behaviour outcomes within the *E-Course Development Request Form*.

2. Continue considering other communication and learning options and platforms, including HIVE articles, lunch-and-learn seminars, and micro-learning courses as alternatives to LMS E-courses.

MANAGEMENT RESPONSE

Management agrees with the above recommendations and will investigate alternatives to address and close the gaps identified.

FINDING (MODERATE) – SYSTEM LIMITATIONS

Based on our discussions with the system administrators of the LMS, there are inherent limitations with the system:

- Automatic completion and credit for LMS courses occasionally does not function correctly; instances of systemic non-completion with multiple attempts, or requirement to provide screenshots as proof, have been noted in our discussions with key stakeholders
- Employees often go directly to LMS administrators when courses do not complete automatically without submitting a s 15(1)(l) ticket, which circumvents the intended process and puts a strain on our administrative resources
- Monthly s 15(1)(l) completion reports are not always provided to course owners; set-up requires a manual process that is designed when a course is created. People System Administrators create a reporting task addressed to an individual, the course creator and owner, which then delivers the report via email automatically each month. However, if the course owner changes and PD&O is not updated with the new course owner's name and email, the function will not occur as expected.

IMPACT

Reduced system dependability deters employees from partaking in LMS courses and may affect the overall attitude towards future PD&O learning offerings. In addition, course owners that do not receive the monthly compliance report are not able to follow-up on instances of non-completion nor report course impact to their responsible Executive.

RECOMMENDATION

1. Review and revise policy and guidelines to require all BCLC employees to submit a s 15(1)(l) ticket when instances of LMS course non-completion occur.
2. Review the monthly course reporting function to ensure that the responsible mandatory course owners are set-up to receive compliance reports. If possible, this function should align with role profile rather than an individual, which involves the vital communication to PD&O when a course owner has changed.

MANAGEMENT RESPONSE

Management agrees with the above recommendations and will investigate alternatives to address and close the gaps identified.

Appendix

