

Audit Information for Charitable Organizations

This document provides information about what to expect during an audit and will assist you in preparing for the audit.

The Gaming Policy and Enforcement Branch (GPEB) regulates gambling in British Columbia, and is responsible for the overall integrity of gaming and horse racing in the province. The Compliance Division of GPEB conducts audits to ensure that funds received as a grant or earned through a gaming event are used for eligible purposes, and licensed gaming events are conducted in accordance with all applicable legislation, regulations, policies and directives under the authority of the *Gaming Control Act* and Regulation.

The information in this document is provided for your convenience and guidance and is not a replacement for the legislation. The *Gaming Control Act* and Regulation can be found on the web at <http://gov.bc.ca/gambling>.

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1. Authority

Gaming Control Act, Section 78(2):

“The general manager or an inspector may conduct inspections for the purposes of ...

(b) monitoring compliance of licensees, eligible organizations and registrants with this Act, the regulations, the rules and the conditions of licences and registration.”

The auditor can examine all aspects of your gaming records and activities and may enter your business premises to inspect your records.

Any reports resulting from audits conducted by GPEB may be disclosed publicly, in compliance with the *Freedom of Information and Protection of Privacy Act*.

2. What is an audit?

An audit is a formal examination of your organization’s gaming records. Audits ensure you are using the gaming grants or gaming event proceeds in accordance with GPEB requirements, and your organization is conducting the gaming event in compliance with the *Gaming Control Act* and Regulation, public interest standards and GPEB directives, conditions and guidelines.

Audits of licensed gaming events include verification of gross revenues and applicable expenses and may include physical inspection of the event. The process begins when you are contacted by an auditor who schedules an appointment to visit your organization and review your records, or requests that you send your records into our office.

At all times, the auditor will safeguard and handle your records with due care and maintain confidentiality of your information.

3. Why is our organization being audited?

Any charitable organization that receives a gaming grant or obtains a licence to conduct a gaming event could be selected for an audit.

We determine which charitable organizations will be selected for an audit each year based on certain selection criteria that are directly attributable to risk factors. These criteria include the value of grants and licences obtained by an organization and any previous audit results. We may also select an organization for an audit as a result of a complaint received from the public or resulting from a request from our Licensing, Registration, Certification Division or the Community Gaming Grants Branch due to concerns over a charitable organization’s reporting and/or submitted application.

Audits help to ensure that all grant recipients and licensees who conduct a gaming event are in accordance with the standards, policies, conditions and guidelines for receiving the gaming grant and conducting the gaming event. They are conducted to maintain the integrity of gaming activities in the province of British Columbia.

4. How far back can our organization be audited?

A “Use of Proceeds” audit is generally limited to the last full fiscal year and current year to date. A “Licensed Gaming Event” audit is limited to the scope of the licensed event dates. However, in some circumstances, it may be extended beyond that period due to extraordinary conditions or events.

The estimated audit period start and end dates are included in the notification letter the auditor sends to you prior to starting the audit.

5. What happens during an audit?

If you are selected for an audit, an auditor will contact you to arrange an appointment at a mutually-convenient time to conduct the audit. If it is not feasible to conduct an on-site audit, the auditor will arrange a scheduled date for receipt of your organization’s gaming records to conduct a desk-style audit.

The auditor will follow up with a notification letter which will include most of the records that you will need to make available for the audit. Further documentation may be requested once the audit has started.

Please designate a contact person to be available to the auditor during the audit. The contact person can be a Board member, staff member or another knowledgeable individual responsible for gaming funds in your organization. Before examining an organization’s books and records, the auditor and the designated contact person will discuss the nature of the organization, the accounting system and basic accounting procedures, as well as the audit process in general.

A pre-audit questionnaire may be conducted on site with the organization or submitted to the organization to complete prior to any meeting or other record submission.

If an onsite audit is being conducted, a tour of the premises might be appropriate to give the auditor a better understanding of your charitable programs.

6. What is the auditor looking for?

When conducting an audit, the auditor is looking for evidence that an organization has adhered to the standards, policies and guidelines in the use of the gaming grant funds and in the conduct of the licensed gaming event.

While the auditor can look at any aspect of your charitable organization as it relates to gaming, most often the auditor wants to know whether or not:

- Your organization has a separate gaming bank account;
- Gaming funds received as a grant or from the conduct of a gaming event, GST refunds, and gaming donations have been deposited into your gaming bank account and spent in accordance with the requirements;
- Gaming events, such as ticket raffles, have been conducted according to the guidelines;
- Accurate and complete audit trail of documentation exists to show clearly the amount and purpose of each gaming transaction for both receipts and disbursements:
 - Gaming Receipts: Licensed gaming events, such as ticket raffles, require documentation to show that tickets sales reconcile to records of sold and unsold tickets, bank records and revenue reported on the Gaming Event Revenue Report. Independent bingo receipts require the completion of the mandatory bingo forms (referenced in Standard Procedures for Independent Bingos). Gaming Disbursements: Gaming cheques must be supported by documentation such as a vendor invoice, payroll transaction record, or in the case of a service organization (i.e. Lions, Rotary Club) a donation receipt, which demonstrates that the disbursement was for the intended purpose.
- Reporting requirements to the branch, as stated in the conditions that accompany each grant or license, have been met.

7. What records should be available?

The auditor can inspect any of your gaming records. The auditor will send a notice letter to the organization indicating the list of gaming records that are required for the audit. Examples of some of the gaming records that an auditor will review include:

1. Gaming account bank statements, cancelled cheques, cheque stubs and deposit books;
2. Receipts and original invoices for gaming disbursements; and
3. Journal or general ledger listing for gaming account.

Note: Non-gaming account information, as detailed above, must also be provided if gaming funds were deposited or transferred to a non-gaming account(s).

The auditor will make every effort to complete the audit as quickly as possible. The time spent by the auditor at your office can be minimized by ensuring that any information requested in the notification letter is located before the audit begins. If you have questions about the status of your audit, please feel free to contact the auditor or a Director in Compliance Division.

8. Can our organization's gaming application be affected by an audit?

The Compliance Division, the Licensing, Registration, Certification Division and the Community Gaming Grants Branch access shared information. Normally, a routine audit will not affect the processing of either a licence or grant application, however; if an audit uncovers severe deficiencies this may jeopardize ongoing eligibility for gaming access. Eligibility for both grants and licences is determined solely by the Community Gaming Grants Branch or Licensing, Registration and Certification Division, respectively.

9. What is the duration of an audit for our organization?

It will take approximately two months from the date of first contact by the auditor to the receipt of an organization's final report. Registered raffles are an exception and exceed this average timeframe.

10. How long does an organization have to retain their gaming records?

An organization must retain gaming records for five years, except for ticket stubs or counterfoils and unsold tickets, which must be retained for only two years or until the branch has audited that particular raffle, whichever comes first. Ticket stubs and unsold tickets older than the above

may be destroyed at your discretion, although you may need to consider record retention rules for taxation purposes prior to destruction.

Note: You need written authorization from the branch to destroy any gaming records less than five years old.

11. What happens after the audit?

Once the audit is complete, the auditor will discuss the findings of the audit with your organization's board members by telephone, in person or via email. If there are non-compliant findings (such as misuse of gaming funds, reporting arrears, program deficiencies, membership structure issues), a draft report will be issued to the board for further discussion (see below for more details). If there are no non-compliant findings, your organization will receive a final report and no further communication is required from you.

The draft report will only include exceptions that have been identified. The objective of the draft report is to confirm the accuracy of our findings and to give you the opportunity to understand why they have been identified as exceptions. We require a written response to the draft audit report from your organization that confirms the accuracy of our findings within 14 days of the date of the draft. If you wish, you may also at this stage comment on what actions have been or will be taken to rectify the issues identified. After this time, a final audit report will be issued and a copy will be sent to the board of directors of your organization. The report will also be made available to the Licensing, Registration, Certification Division and the Community Gaming Grants Branch.

12. Contact Information

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